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Newspaper of the Year

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JAPAN
Land of rising investment promise
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World News

Concessions by Bosnia reduce fears of civil war

The immediate threat of civil war in the Yugoslav republic of Bosnia-Hercegovina yesterday receded after armed Serb nationalists lifted their barricades from around Sarajevo, the capital, following concessions by the Bosnian government.

The concessions will allow Moslems, Serbs and Croats, the republics' three main ethnic groups, time to consider if and how the referendum on independence can be implemented. Page 12

Price of asylum
The largest industrialised countries last year spent an overall $7bn-$8bn on dealing with asylum-seekers from the Third World and eastern Europe, according to informal estimates by an international government-backed immigration secretariat in Geneva. Page 3

Likud's harder line
Hardliners were in firm charge of the ruling Likud party of Yitzhak Shamir, Israel's prime minister, after completing victory in elections for the party's list of candidates for the June general election. Page 4
Former Israeli prime minister Menachem Begin was critically ill after a heart attack at his Tel Aviv home. Page 4

Bush's veto threat
President George Bush promised to veto legislation that would increase taxes on the wealthy, as the Senate pressed forward with just such a measure. Page 5
President Boris Yeltsin of Russia will pay a state visit to the United States on June 16 and 17 to review "the ever-strengthening relationships between the two countries", Bush said.

Hungary avoids purge
Hungary's constitutional court blocked trials of communists who murdered and sold out their country to the Soviet Union in the early years of the former dictatorship. Page 3

Helicopter 'shot down'
Armenia accused Azerbaijan of shooting down a military helicopter carrying mainly women and children near the Azeri town of Kelbedzhar. There were reports of substantial injuries.

Pension age protest
Ninety one women whose employer raised their pension age from 60 to 65 without their consent are being backed by the UK's Equal Opportunities Commission in a claim of unlawful sexual discrimination. Page 6

Honecker out of hospital
Former East German communist leader Erich Honecker left hospital in Moscow after undergoing medical examinations. He is believed to have returned to the Chilean embassy where he has been given refuge since December.

Cameroon election
Cameroon's ruling party, the People's Democratic Movement headed by President Paul Biya, won a narrow majority in the country's first multi-party parliamentary elections for 30 years.

Olympics drive
The attempt by Manchester, the northern English city, to stage the Olympic games in the year 2000 will be supported by 24 leading companies in the region. Page 6

Kiwis win again
New Zealand beat Zimbabwe by 48 runs in a rain-restricted World Cup one-day cricket match to record their fourth consecutive win in the competition. New Zealand lead in the cup three points ahead of England and Sri Lanka.

FT No. 31,700

Business Summary

Bank of England faces criticism over BCCI fraud

The Bank of England faces sharp criticism from an all-party House of Commons committee for failing to take prompt action over fraud at the Bank of Credit and Commerce International.

The conclusions of the report are also expected to criticise the accountancy firm Price Waterhouse for failing to identify the scale of fraud at BCCI before the bank collapsed in July 1991. Page 12

WALL STREET: Dow Jones Industrial Average closed up 14.98 points at a record 3,290.25.

US ECONOMY: A sharp rise in the index of leading indicators and a jump in home sales signalled that the early stages of a US economic recovery could be under way. Page 12

CHRISTIANIA BANK: Norway is expected to announce a further cash transfer to the bank and demand it implement tougher measures to improve margins and efficiency. Christiania Bank is expected to show a 1991 pre-tax loss of NKr6bn ($931m). Page 13

BTR, UK industrial conglomerate, has dropped plans to create a global electrical engineering business following its victory in the £1.5bn ($2.6bn) takeover of Hawker Siddeley. Page 13

SULZER Brothers, Swiss engineering group, and Ebara, leading Japanese pump maker, have agreed to take 5 per cent share stakes in each other. Page 13

ASEA BROWN BOVERI, Swiss-Swedish electrical engineering group, is putting up for sale its global instrumentation business, based in the UK. Page 13

GERMAN PRIVATISATION: Treuhand privatisation agency said it would write off more than DM1bn ($600m) in debts and sell off the core of the Baltic shipbuilding industry this month, probably to Vulkan of west Germany. Page 2

INDIAN ECONOMY: The rupee depreciated by 9.4 per cent against the dollar while the Bombay Stock Market index continued to climb following presentation of the national budget. Page 4

NISSAN, Japanese carmaker, is to begin exporting engines from its UK car plant to Spain for a range of vehicles to be launched this year. Page 5

BRITISH AEROSPACE, UK defence equipment and aircraft manufacturer, has beaten fierce international competition to win an order worth £570m ($997m) to supply new air combat missiles for the Royal Air Force. Page 6

BERTELSMANN, German-based media and entertainment group, is to pay $119m for a 44-storey office block in the heart of New York's Times Square district. Page 14

ROYAL BANK of Canada, the country's biggest financial institution, recorded a 10 per cent rise in first-quarter income. Page 14

SALOMON BROTHERS, Wall Street securities house, has appointed Robert Salomon to replace Michael Holland as head of the company's asset management division. Page 15

IBM, world's largest computer company, aims to recharge sales with a range of lower-priced computers that will compete with "clones" of its original products. Page 16

ALUSUISSE, the Swiss aluminium, speciality chemical and packaging group, reported a steep fall in profits for last year and is planning to cut its dividend. Page 14

GOLD PRODUCERS in South Africa have been told that the practice of selling gold forward cost western gold producers $2.5bn in 1990. Page 26

ITT sells stake in Alcatel for FFr18.7bn

By Alice Rawsthorn in Paris and Martin Dickson in New York

ALCATEL-ALSTHOM, the French telecommunications equipment group, is buying the 30 per cent stake held in Alcatel, its main telecommunications subsidiary, by ITT, the US conglomerate, in a deal worth FFr18.7bn ($3.6bn).

The acquisition marks the end of a six-year partnership between Alcatel-Alsthom and ITT.

It also represents a significant change in strategy for ITT, which has been examining ways to boost its lacklustre share price.

Alcatel-Alsthom will pay FFr13.2bn cash in three instalments for the stake. ITT will also take a 7 per cent holding in Alcatel-Alsthom, making it the second largest shareholder after Société Générale, the French bank.

The deal surprised and pleased Wall Street, where ITT's shares rose $3½ in morning trading to $69⅞ amid speculation that this might be the first of a number of restructuring moves by the company.

ITT's shares had already advanced strongly from around $60 over the past week following publication of an interview in the Financial Times with Mr Rand Araskog, chairman, in which he said he was considering a number of options to make the company "more exciting to the investment community".

Alcatel-Alsthom and ITT came together in 1986 when they merged their telecommunications interests in Alcatel, enabling it to outstrip American Telephone & Telegraph as the world's single biggest manufacturer of telecommunications equipment.

ITT, whose origins lay in the telecommunications business, retained a 37 per cent stake in the combined operation – later reduced to 30 per cent – while its French partner held just over 56 per cent.

Under the terms of the original agreement each partner could exercise pre-emptive rights if the other sold all or part of their shares. Alcatel-Alsthom decided to do so when ITT informed it that it wanted to sell its shares.

Lex Page 12

Alcatel, which is the largest single part of Alcatel-Alsthom, made net profits of FFr4.09bn in 1990, and recently reported an 18 per cent increase in sales to FFr109.7bn in 1991.

Alcatel-Alsthom is funding the share purchase with debt, increasing its gearing from 16 to 26 per cent. Mr Pierre Suard, chairman, described this level of gearing as "reasonable" and stressed the deal would not dilute earnings per share.

ITT said it would record an after-tax gain of about $400m. Some analysts were surprised the figure was not higher, but the company faces a steep US tax bill on the deal.

The company said it would consider several options for use of the funds, including buying back stock or paying down debt. It added: "This is the first concrete example of our willingness to make the company more exciting and we will continue to consider all options in the long-term best interests of the company and its shareholders."

In his FT interview Mr Araskog gave no hint of the Alcatel sale but said other theoretical options to boost the share price could include splitting off the group's financial services operations or its ITT Sheraton hotel group.

Wall Street was left wondering yesterday whether the Alcatel sale would turn out to be the company's main share boosting initiative, or merely the prelude to these other types of action.

Some analysts had been arguing for months that the sale of the Alcatel stake would take ITT a long way towards its goal of a 15 per cent return on equity.

Alcatel-Alsthom said yesterday's deal would make no difference to the management and development of Alcatel, because its majority shareholding already gave it strategic control of the business.

Bill Clinton, Democratic presidential hopeful (left) has a private word with Senator Sam Nunn while inmates of a training camp for minor offenders at Stone Mountain, Georgia, parade behind them. Bush to veto higher taxes on rich. Page 5

Bank of Spain forced to rescue Banco Ibercorp

By Tom Burns in Madrid

THE BANK OF SPAIN was forced yesterday to rescue Banco Ibercorp, an investment bank linked to several prominent members of Spain's financial establishment.

The financial regulators have moved quickly following a series of damaging allegations in the Spanish press and the breakdown of takeover negotiations between Ibercorp and Banco Inversion, a rival financial services institution.

The Bank of Spain said it was intervening to "prevent the grave financial deterioration" of Ibercorp and to safeguard shareholders' interests.

Ibercorp's mutual fund deposits have reportedly dropped to Pta1.1bn ($10.7m) from Pta3.9bn, and it has been unable to renew credit lines on the interbank market.

At the centre of the Ibercorp scandal are press allegations that the institution was adept at insider dealing and protected a privileged group of shareholders among whom were several prominent figures in public life. Yesterday's intervention is especially embarrassing for the governor of the Bank of Spain, Mr Mariano Rubio, whose share portfolio was handled by Ibercorp's co-chairman, Mr Manuel de la Concha, a longstanding friend.

Mr Rubio presented his resignation two weeks ago but it was turned down by the government. He then set about attempting to sell Ibercorp to the leading retail banks, each

Continued on Page 12

Japan's gift to executive stress: the pocket-size resignation

By Robert Thomson in Tokyo

DIRECTORS of Ricoh, the Japanese office equipment and camera maker, have been ordered to bring letters of resignation to work each morning as a reminder that they are personally responsible for hauling the company out of loss.

Mr Hiroshi Hamada, Ricoh's president, told the 23 directors, each of whom is directly responsible for a business division, to "have a resignation letter in your shirt pocket". He warned that he wanted to promote younger managers, and hinted that resignations could become effective at any time if the company's performance did not improve.

The Ricoh resignation method is one of the more dramatic responses to plunging profits at leading Japanese companies, which have been shaken by a slowing domestic economy and poor results.

Ricoh said yesterday that most of the directors had already drafted their resignation letters, and some had submitted them to Mr Hamada.

His order came after Ricoh announced that it would report a Y5.8bn ($45m) pre-tax loss for the year to March 31, the first loss since the company was listed in 1949.

Ricoh said the resignation threat should be seen as "not merely ceremony", as is generally the case with executive resignations in Japan.

Ricoh, like Sony Corporation and Honda Motor, is regarded as a maverick in Japanese industry, having risen outside the powerful corporate families known as *keiretsu*. These companies have cultivated strong corporate cultures and sometimes employ unorthodox methods in crisis control.

Mr Hamada, Ricoh's president, has a fondness for philosophy and likes to remind listeners of "The Spirit of the Three Loves", the company's guiding principles of: "Love Your Neighbour, Love Your Country, and Love Your Work."

In a recent speech, Mr Hamada explained that he liked executives to "own" their problems. By drafting resignation letters, he had forced the directors to stake their future on the company's recovery. "Changing human attitudes is much harder than changing methods, but that's what must be done in order to get quality work."

IMF faces cash shortage as US considers quota rise

By George Graham and Michael Prowse in Washington

THE International Monetary Fund's prospects of winning its $60bn funding increase this year appear to be dwindling as a result of mounting hostility in the US to foreign aid.

The Bush administration has asked Congress to approve the funding for the $12bn US share of the increase but has not yet pressed hard in the face of opposition by both Republicans and Democrats in Congress.

Without the extra money the IMF could face a serious cash shortage later this year as it attempts to meet growing loan demands, especially from Russia and other former Soviet republics.

Congressmen and congressional staff assistants said attempts to pass legislation authorising the increase, which would boost the IMF's capital base by 50 per cent, appear virtually dead for this year.

Administration officials, however, said negotiations were not yet over. "They want certain things which may not be appropriate right now. That doesn't mean we view it as about to die or dead for the year," one said.

The administration's reluctance to push hard has been reinforced by Mr Patrick Buchanan, President George Bush's isolationist challenger for the Republican party's presidential nomination. He has denounced foreign aid in general and the IMF funding in particular.

Democratic congressmen have been wary of repeating their experience with the last IMF quota increase: they voted it at the Republican administration's request, only to find themselves under attack from Republican opponents in the subsequent elections for pouring money abroad.

The IMF funding has also been complicated by a dispute between the Bush administration and the Israeli government over Israel's request for $10bn of loan guarantees to help it absorb up to 1m immigrants from the former Soviet Union. This dispute has tied up this year's foreign aid bill – the natural home for the IMF quota legislation.

Most other IMF member countries have already approved their contributions to the quota increase but under IMF rules the overall increase cannot go ahead unless approved by countries representing 85 per cent of voting power. The US has 19 per cent.

The IMF has headroom for future lending of only about $15-$20bn, which could easily be absorbed in loans for the former Soviet republics.

The Congress still stands a slim chance of passing a foreign aid appropriations bill before the current funding expires at the end of this month, if a settlement can be reached on the Israeli loan guarantees.

But even if an aid bill is put forward, neither Senator Leahy nor Congressman David Obey, his opposite number in the House of Representatives, currently plan to include the IMF quota increase.

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Museveni sets himself against Africa's multiparty trend

President Yoweri Museveni, widely credited by the west for tackling many of Uganda's political and economic ills, believes that multiparty democracy would be the wrong course for his country
Page 4

MARKETS

STERLING
New York:
$1.7385 (1.7533)
London:
$1.74 (1.7555)
DM2.88 (same)
FFr9.7875 (9.7925)
SFr2.6175 (2.6125)
Y227.5 (same)
£ Index 90.5 (90.6)

GOLD
New York Comex Apr
$351.4 (352.5)
London:
$351.75 (350.85)

N SEA OIL (Argus)
Brent 15-day Apr
$17.225 (17.425)

Chief price changes yesterday: Page 13

DOLLAR
New York : close
DM1.6575 (1.64325)
FFr5.6315 (5.585)
SFr1.508 (1.4905)
Y130.065 (129.67)
London:
DM1.6555 (1.6405)
FFr5.625 (5.5775)
SFr1.505 (1.4875)
Y130.8 (129.65)
$ index 64.7 (64.3)
Tokyo close: Y129.94

US closing rates
Fed Funds: 3¾% (4 5/16%)
3-mo Treasury Bills:
4.118% (4.127%)
Long Bond:
100⅞ (101 9/32)
yield: 7.916% (7.897%)

STOCK INDICES
FT-SE 100: Yield 4.80
2,565.4 (+11.1)
FT-A All-Share:
1,230.64 (+0.3%)
FT-SE Eurotrack 100:
1,176.44 (+7.27)
FT-A World Index:
143.77 (-0.8)
New York:
DJ Ind. Av.
close5 (+14.98)
S&P Comp
412.85 (+0.4)
Tokyo: Nikkei
21,051.71 (-436.11)

LONDON MONEY
3-month interbank:
10 3/16% (same)
Liffe long gilt future:
Jun 97¾ (Jun 98 3/32)

Treuhand to sell ailing shipyards

By Leslie Colitt in Berlin

THE Treuhand privatisation agency, under pressure from striking east German shipyard workers, yesterday said it would sell off the core of the ailing Baltic ship-building industry this month, probably to Vulkan of west Germany.

Mr Wolf Schöde, spokesman for the east German agency, said the Treuhand would have to write off more than DM1bn ($600m) in debts and provide large state investments prior to any sale.

Despite the likely sale, nearly 10,000 employees of the three main shipyards and a diesel engine plant continued an occupation strike which began last week. The strike had been designed to prevent the state government of Mecklenburg-Vorpommern and the Treuhand from selling off parts of the industry while letting the core collapse.

Mr Schöde said a rival bid by Kvaerner of Norway for east Germany's largest shipyard, Warnowwerft, would create Europe's largest shipbuilders, but "leave the brains in Oslo". He suggested a bid by MAN of Germany for a ship's engine plant in Rostock would be turned down.

Mr Schöde said that if the Treuhand agreed to sell the core of the shipbuilding industry grouped in the DMS holding concern to Vulkan, the agency would agree to assume debts of well over DM1bn.

In addition, it would take over costs arising from environmental damage and provide "several hundred million" D-Marks for investments which would have to be cleared with the European Community. Vulkan would take over 51 per cent of DMS, leaving the Treuhand with the remainder which would be reduced to zero by 1998.

Berlin walled in with problems

Leslie Colitt reports on the city's struggle to live up to its new status

AT THE height of the Cold War, Berlin was as much a symbol as a city, with its division clearly marked by the Wall and the sectoral boundaries between the allied and Soviet zones. After almost two years of unification Berlin is still a symbol – but of the painful economic and social struggle to unite the disparate halves of Germany.

Berlin's infrastructure, housing and officials appear unable to cope not only with the challenge of unification, but also with the city's transformation into a capital which befits Europe's most powerful economy. A good many Berliners are using words such as "crisis", "chaos" and even "dangerous" to describe the city's economic and political malaise.

Part of the problem stems from Berlin's recent history as an economic backwater of west Germany and the hub of east Germany's centrally planned economy. The western half attracted those keen to flee Frankfurt and other West German cities for a more sedate life in a highly subsidised city. But it lost many of its more ambitious young people to careers in West Germany. Communist East Berlin, in contrast, was a haven for those seeking a career in state bureaucracy.

"We are paying the price of having been drained for decades of our political and economic élite," said Mr Kurt Kasch of Deutsche Bank in Berlin. He said investors were avoiding Berlin in favour of east Germany, where greenfield sites are available and labour more easily motivated.

He blamed the city administration for failing to tackle festering problems: a critical housing shortage, traffic-clogged streets, an urgently needed administrative reform and delays in choosing the site of a new international airport.

The government and parliament are not expected to complete their move to Berlin until the end of the decade. Meanwhile, the city's demands for fresh subsidies to cope with its changing role suspiciously echo its previous reliance on federal support for 60 per cent of the city's budget.

Critics such as Herr Kasch believe that Berliners will eventually generate enough dynamism to overcome the present inertia. But this will mean wrenching changes for its pampered inhabitants.

Residents worry that growing social tensions in both east and west Berlin may explode in the interim. They condemn the city's anaemic and faceless coalition government of Christian Democrats and Social Democrats for having paralysed decision-making.

City officials reply that Berlin is forced to accomplish in a relatively short time what other cities had decades to achieve.

Much of the gloom stems from the realisation that rising unemployment in east and west Berlin is not likely to be short-lived.

Ms Angelika Heinrich, like most of the 117,357 newly unemployed east Berliners – 17.2 per cent of the working population – said she was bitterly disappointed in what the social market economy had brought her. With other unmarried working mothers cosseted by the former communist regime, she now saw "no future" after being sacked from her job last December in the Narva lightbulb factory.

In 1989, 30,000 east Berliners worked in the grimy cable and electricals factories of Oberschöneweide where the streets are named after Edison and Volta. There will soon be fewer than 5,000 jobs.

"The whole industrial base here is being rolled flat," said Mr Lutz Epperlein, chairman of the works council at the TRO transformer plant.

Unemployment would be even higher in east Berlin and Brandenburg if it were not for the estimated 130,000 easterners who commute to work in west Berlin. But even in west Berlin industrial jobs are being lost more quickly than service jobs can be created. Nearly 105,000 west Berliners are without jobs – 10.6 per cent – and the trend is rising.

Yet the city had 6.5 per cent economic growth in 1990 and 4 per cent last year, largely because of a boom in spending by east Berliners – often using state unemployment benefits from Bonn.

Manufacturers in formerly walled-in west Berlin flourished with the help of investment incentives and up to 10 per cent VAT rebates from Bonn. These and the income tax benefits enjoyed by Berliners are being phased out by 1994 and several large companies such as Standard Elektrik Lorenz plan to move out to the Brandenburg surroundings or, like Bosch and Siemens, will slim down production in Berlin.

"We face a dramatic structural problem," Mr Uwe Petersen of the Berlin Economic Promotion office warned.

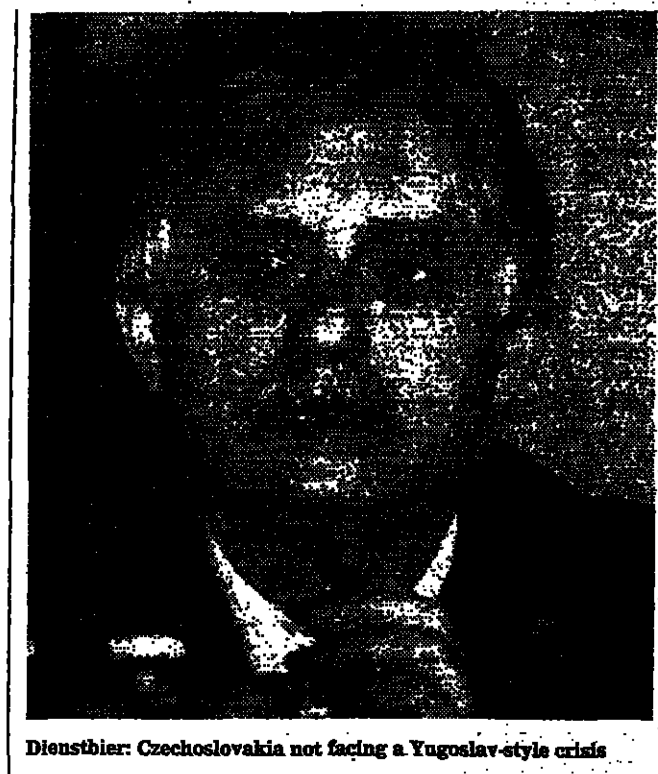
The expected boom in the service sector to replace subsidised manufacturing has not taken place and much of the blame is being placed on the serious shortage of both affordable office space and housing in Berlin. Although many newly arrived German government officials are to be housed in the more than 6,000 flats and hundreds of villas occupied by the western allies – who depart in 1994 – the pent-up demand among Berliners for lower-income flats is expected to far outstrip the ability of the city to provide them.

Building activity in east Berlin, both commercial and housing, is virtually non-existent because of conflicting property claims by previous owners dispossessed under the Nazis and the communists.

Mr Falk Jesch, head of the city-owned housing company in east Berlin's Mitte district, forecast that the lack of private investment meant even repairs to the facades and roofs of long-neglected apartment buildings, 50 per cent of them with conflicting title claims, will halt when public funds are exhausted this year.

Legal conflicts are especially prevalent in Mitte where nearly 1,000 properties are estimated to have had Jewish owners who often sold under duress in the 1930s.

Both Mr Jesch and Mr Hans Peter Plettner, a leading Berlin property auctioneer, held out little hope that legal measures by Bonn to speed up the processing of property claims and facilitate investments would bring a solution as long as the government clung stubbornly to the principle that restoring property to former owners takes precedence over indemnifying them.



Dienstbier: Czechoslovakia not facing a Yugoslav-style crisis

Czechoslovakia 'must continue to be factor for stability'

By Anthony Robinson and Andrew Gowers in London

THE unresolved constitutional and political problems in Czechoslovakia led President Vaclav Havel to warn recently that the federal state of Czechs and Slovaks was "like a ship sailing through a dangerous storm".

Prominent among the shoals lies a general election campaign which will be fought largely on the future of the federal state and relations between its Czech and Slovak components. The wider question, however, is whether the country remains a factor for stability in central Europe or becomes a destabilising force in an already turbulent area, Mr Jiri Dienstbier, the federal foreign minister, said yesterday.

Splitting up the federal state "would completely change the geo-political situation in central Europe," he warned. "From our perspective we have to look at everything against the possibility of a belt of total chaos east of our boundaries."

The key objective must be to preserve Czechoslovakia as an example of successful reform and transformation, he said.

His fear, and that of President Havel, is that "even if we succeed in maintaining the federation it will consume our energy for a long time" and divert attention from reforming the political and economic system.

The controversial shipment of 250 Slovak-made tanks to Syria illustrates the problem. "If they had been made in Bohemia it would be a different matter. But in Slovakia, where former communists and the managers of military factories have been elected as mayors in cities dependent on the arms trade, for the federal government to prohibit their export just provides ammunition for Slovak nationalists."

Speaking before delivering a speech to the Royal Institute of International Affairs in London, Mr Dienstbier underlined that Czechoslovakia was not facing a Yugoslav-style crisis. "There is no danger that people will be shooting at each other."

GM head expects drop in W Europe vehicle sales

By Kevin Done, Motor Industry Correspondent, in Geneva

WEST European new car sales are expected to fall to around 13.2m this year from 13.42m in 1991, Mr Robert Eaton, president of General Motors Europe, said yesterday.

GM Europe, which has been one of the least protectionist car makers in west Europe, also signalled a significant toughening of its stance against the Japanese car industry yesterday.

While Japanese productivity was high, he claimed there was "reason enough" for the European car industry to "maintain its self-confidence.

"There is no reason to believe the future of the European industry will depend on copying Japanese systems," he said. "Europe should stop placing the Japanese car industry on a pedestal."

Mr Eaton said GM had made significant improvements in the productivity of its west European vehicle operations.

The stance of GM, the world's largest vehicle maker, against Japanese competitors has toughened in recent months in the face of the company's record losses in North America. In an attack on the Japanese industry, Mr Eaton claimed that Japanese car makers benefited from "different cultural, social and societal systems, from lower wages and longer working hours, from the long-standing support of and close co-operation with their government, from import barriers that protected their national industry and their profitability for decades, and which are only now being gradually removed."

Mr Eaton said UK new car sales were forecast to rise in the second half of the year to 1.7m compared with 1.59m last year. UK new car sales peaked at 2.3m in 1989.

New car sales in Germany were expected to fall by around 13.5 per cent to some 3.6m from 4.16m in 1991.

The Italian market is expected to be unchanged at the 1991 level of 2.34m, while new car sales in France are forecast to recover in the second half of the year to reach around 2.15m compared with 2.03m last year.

General Motors, the US car company, is set to receive Sch600m (£52m) in public sector subsidies for the Sch4bn expansion of its engine plant in Vienna, writes Eric Frey in Vienna.

Mr Ferdinand Lacina, Austria's finance minister, has agreed to pay Sch450m in grants from the federal budget for the project, a ministry spokesman said. The city of Vienna will add another Sch150m. In return GM is expected to boost the number of jobs at the plant to 3,000 from 2,500.

Spanish new car sales are forecast to rise by more than 7 per cent to some 950,000 from 886,000 in 1991.

GM is increasing its vehicle production capacity in Europe by around 25 per cent by the mid-1990s. Mr Eaton said production would start next week at the company's assembly plant in Hungary, while engine output would begin there in the early summer.

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Asylum-seekers cost west $7bn last year

By David Marsh, European Editor

THE largest industrialised countries last year spent an overall \$7bn-\$8bn (£4bn-£4.58bn) on dealing with asylum-seekers from the Third World and eastern Europe, according to informal estimates by an international government-backed immigration secretariat in Geneva.

This is roughly one-seventh of total annual development aid made available to the world's poorest nations by the rich western countries, which totalled \$54bn in 1990.

The total spent on asylum seekers appears to have been more than 50 per cent higher than in 1989. This underlines the sharply growing administrative and social security costs of processing immigrants seeking refuge in the west from a variety of war-torn and economically distressed countries.

The main destination for asylum-seekers - above all from Romania and Yugoslavia, as well as countries in Africa and Asia - was Europe. The 13 western European countries in the secretariat received 543,600 asylum applications last year, up 27 per cent from the 1990 total of 426,100.

The costs of asylum include amounts spent in areas as diverse as housing, sustenance, legal expenses and aid workers' salaries.

They cover the more than 1m people whose applications for asylum are being dealt with by western legal and immigration authorities. Governments generally do not like to give wide publicity to the figures, reflecting political sensitivities in a number of countries.

In Germany - which accounts for roughly 40 per cent of all asylum requests in the west - the latest published figure, from the Bonn Interior Ministry, puts overall asylum costs, for 1989, at DM4bn (£2.4bn).

In view of the doubling in asylum applications in Germany during the last three years - from 121,000 in 1989 to 256,100 last year - the actual 1991 cost was substantially higher, totalling at least \$4bn, according to estimates by German officials.

A total of 660,000 people last year applied for asylum in a group of 16 industrialised nations which constitute the main destination for migrants fleeing from poor political or economic conditions in their homelands.

This was 22 per cent up on the total of 540,000 in 1990, according to figures assembled by the secretariat of the 16 countries' interior ministries, set up last summer to work on the asylum problem.

The governments are trying to find more constructive uses for the money spent on coping with asylum seekers.

Countries such as Sweden and Germany are exploring methods of pinpointing areas in eastern Europe, for instance, for tailor-made development aid aimed at persuading potential immigrants to stay at home.

ASYLUM APPLICATIONS IN INDUSTRIALISED NATIONS

	1991	(per 1,000 popn.)	1990
Australia	16,000	0.9	3,600
Austria	27,300	3.6	22,800
Belgium	15,200	1.5	13,000
Canada	31,000	1.2	36,000
Denmark	4,600	0.9	5,300
Finland	2,100	0.4	2,500
France	46,500	0.8	56,000
Germany	256,100	3.3	193,000
Italy	31,700	0.6	4,700
Netherlands	21,600	1.4	21,200
Norway	4,600	1.1	4,000
Spain	8,100	0.2	8,600
Sweden	26,500	3.1	29,000
Switzerland	41,600	6.2	36,000
UK	57,700	1.0	30,000
US	70,000	0.3	74,000

Source: Inter-governmental Interior Ministries Secretariat

Spectre of Le Pen stalks Marseilles ghetto

William Dawkins records the advance of the French National Front in regional polls

IN THE Maghrebin ghettos in the northern suburbs of Marseilles, parents warn their children that if they do not go to bed on time, Jean-Marie Le Pen will come to get them.

The extreme right-wing National Front (FN), which Mr Le Pen leads, has made Provence Alpes Côte d'Azur (Paca), the Mediterranean region of which Marseilles is the capital, its main battleground for regional elections on March 22.

Paca and Marseilles in particular are fertile ground for the FN's anti-immigrant policies, with the region's blend of high immigration and heavy unemployment.

"The old right, anti-Semitic and xenophobic, have traditionally been strongest here.... Yet this is also one of the most cosmopolitan regions of France," says Mrs Edmonde Charles-Roux, the writer who is widow of the resistance hero and former Socialist mayor of Marseilles, Gaston Defferre.

So it is that the FN has been getting 27 per cent of the vote in recent opinion polls in Paca; roughly twice its score in the rest of France and only three points behind Paca's ruling conservative UDF-RPR coalition. The FN is also well ahead of the 18 per cent of millionaire businessman and Marseilles football club owner Bernard Tapie, standing as an independent supporter of President François Mitterrand.

Marseilles was where the FN first made its mark, when it started getting more than a quarter of the votes in central parts of the city in the 1985 cantonal polls.

Le Pen: to many voters, a "knight on a white horse" unscathed by scandals

Among its core supporters are former French settlers in Algeria, or *pieds noirs*, who returned to France in the early 1960s after Algerian independence. But as elsewhere in France, the FN has also attracted protest votes, against the perceived dullness of the mainstream parties' policies and their failure to tackle unemployment.

In Paca, the FN has also had the good luck to escape the recent political scandals which followed the brief arrest of the head of staff of Mr Jean-Claude Gaudin, the conservative president of the region, over an alleged attempt – denied – to discredit Mr Tapie. Against this murky background, Mr Le Pen looks like "a knight on a white horse" to many voters, says one commentator.

But Mrs Charles-Roux sees a "real parallel" with the rise of Nazism, for her a frightening childhood memory as daughter of the French ambassador to Prague in the 1930s. "Young people have no point of reference. They simply don't realise the danger," she warns.

Mr Robert Vigouroux, the city's left-wing mayor, believes the FN could be in part a temporary phenomenon, but still argues that there is a worrying parallel with the rise of fascism in the poorer regions of southern Italy – for similar reasons – in the 1930s.

"It just goes to show that it is a mistake for the government to forget the south," Mr Vigouroux warns.

So it is no surprise that FN's top men, Mr Le Pen and his deputy Mr Bruno Megret, have both seized on Paca as the ideal place to make their mark and are standing in the region's two biggest *départements* or districts.

Their message is as extreme in Paca as anywhere else: "Marseilles has always been a gateway to the orient. But it must be a gateway through which people leave, not enter," says Mr Ronald Perdomo, an FN regional councillor.

The FN is the third group on the regional council after the UDF-RPR and the Socialists. Observers believe they have a real chance of getting a small relative majority on the council this time if there are many abstentions.

"It is a serious risk because FN voters will always turn out, while the abstentions will come from the centre," says Mr Vigouroux. But even if the FN does not end up as the largest party, it could easily be so close behind the centre right that the regional council will be hard to govern – and local UDF-RPR politicians insist that they are not prepared to strike an alliance with Mr Le Pen.

"That is unthinkable," says Prof Jean-François Mattei, a UDF member of parliament for central Marseilles.

To the casual visitor, Marseilles does not look like a hotbed of extremism. Certainly, the acres of empty warehouses along the quays testify to the slow death of its port and some areas are desperately poor. But it is notable that the city has not been touched by the outbreaks of urban violence that have marred less poor parts of France over the past two years.

The number of immigrants in the region is only slightly above the national average at 7 per cent of the population, according to Insee, the state statistics body, though the FN claims that it is more than double that. Unemployment, at 11.6 per cent, is two points above the national average.

Paca's problem is that it not only has France's fastest growing population but is also its most urbanised region, with nearly 90 per cent of the people living in the big port cities. Of course, the poverty is concentrated, with joblessness rising above 40 per cent in some city areas, and all this is next door to some of France's plushest resorts.

As elsewhere in France, the regional election result will have more national than local importance. The powers of regional councils are limited: mainly high schools and roads, which are hardly likely to excite the populace at large – and the election is being fought on national issues.

Paca is the main indicator of how the FN will do in general elections next year, the European poll in 1994 and the presidential election in 1995. "We are at the beginning of what could be a complete change in the French political landscape," says Prof Mattei.

Hungarian court blocks communists' trials

By Nicholas Denton in Budapest

HUNGARY'S constitutional court yesterday blocked trials of communists who murdered and sold out their country to the Soviet Union in the early and most brutal years of the former dictatorship.

The judges unanimously threw out the government-supported Zetenyi-Takacs amendment, crippling the right-wing drive for Nuremberg-style trials.

The court deemed unconstitutional the amendment's suspension of the statute of limitations on crimes of murder and treason which were allowed to expire by the former regime.

Yesterday's decision lifts the threat of prosecution from communists who had a hand in the violent suppression of Hungary's 1956 uprising, who were the most obvious targets of the Zetenyi-Takacs amendment.

The judgment stops in its tracks the conservative government's Justice plan to compensate the victims of the communist regime, and punish and purge those who persecuted them.

The plan has repeatedly run up against constitutional principles when it has been translated into law.

Mr Arpad Goncz, the president, had opened the way for a compromise under which old communist criminals would be exposed but not prosecuted.

Demands for retribution are weaker in Hungary than in neighbouring countries. The communist regime became liberal in its later days and now stability, the main condition of economic recovery, is given top priority.

Attention now turns to the goverment's proposal to purge former agents of III/III, the hated internal security arm of the communist secret police. The bill to vet political, business and media leaders for secret service links goes before parliament for voting this month. Opposition MPs have questioned whether it is legal to discriminate for membership of an organisation which was legitimate at the time.

Commission comes under pressure over carbon tax

By David Buchan in Brussels

BRUSSELS is coming under growing pressure, from outside and inside the EC, not to go it alone in proposing a new tax to penalise carbon dioxide pollution.

Officials from the Gulf Co-operation Council, representing Saudi Arabia and five smaller Gulf oil producers, met the European Commission this week to express their concern at the EC executive's announced intention to propose a "carbon tax" in advance of this summer's world environmental summit in Brazil.

The GCC countries fear such a levy could hit their oil exports to the EC, with which it is negotiating eventual free trade.

The GCC said they would prefer a global discussion, involving all energy producers and consumers, on the impact of energy use on the environment.

Baltic states seek renewal of trade and cultural ties

AFTER a break of nearly 70 years, foreign ministers from the 10 countries surrounding the Baltic Sea will renew historic trading and cultural ties at a conference in Copenhagen this week, writes Xueling Lin in Copenhagen.

The conference, which opens tomorrow, is expected to set up a regional organisation, the Council of the Baltic Sea States, to promote co-operation in a wide range of fields, including political and economic affairs, trade, the environment, energy and transport.

"The purpose of the Council is to create a political forum which will be the driving force behind future political development in the region," said Mr Uffe Ellemann-Jensen, Danish foreign minister.

The conference will be attended by foreign ministers from Denmark, Germany, Finland, Russia, Sweden, Poland, Norway, Estonia, Lithuania and Latvia.

EUROPEAN NEWS

Ukraine MPs refuse to take IMF medicine

By Chrystia Freeland in Kiev

UKRAINE'S parliament yesterday jibbed at the IMF prescription for its economy, objecting to proposed pay curbs and threatening to reintroduce price controls – a big step back to central planning.

Ukraine reluctantly freed prices in January, acting only when radical Russian reforms forced it to follow suit, and has yet to produce a comprehensive economic reform programme of its own.

The parliament's move came after the radical labour minister introduced a bill to cap the amount enterprises can spend on wages. This proposal, recommended by the International Monetary Fund to stop an inflationary spiral, provoked the deputies' anger.

Although there has been no brake on rising wages in the dominant state sector despite a fall in production, political considerations outweighed economic logic. MPs rejected the proposal and instead demanded that any cap on wages be matched by reintroduction of price controls.

The cabinet of Prime Minister Vitold Fokin, the former head of the Ukrainian central planning committee under communist rule, is likely to welcome a return to price regulation. Popular discontent has been aroused by price liberalisation. Monopoly enterprises have raised prices.

The IMF is likely to be disappointed. Ironically, the parliament is today due to vote on a radical privatisation package, which, together with freed prices, would lay the foundations for a true market. If state controls are reintroduced now it will be politically difficult to free prices a second time.

Meanwhile, Mr Jean-Claude Trichet, French treasury director representing the Paris Club of western creditor governments, yesterday met Mr Fokin to discuss payment of Ukraine's 16.37 per cent share of Soviet debt.

There have been signs that Ukraine, which wants to pay independently, and the Paris Club, which wants the former Soviet republics to assume collective responsibility for the debt, might reach a compromise whereby Ukraine would take responsibility for the debt of some smaller republics but pay separately from Russia.

Russians quick to learn shadier side of capitalism

Corruption is rife, and the newly independent states lack laws to tackle it, reports **Leyla Boulton**

ON THE DAY Russia's privatisation minister, Mr Anatoly Chubais, announced he had sacked his deputy for sanctioning the embezzlement of state property, his two small sons were involved in a car crash.

In western Europe, this would have been a coincidence. In Russia, probably not. In a tranquil office overlooking the Kremlin and the Bolshoi ballet, Mr Mikhail Gurtovoi, head of the Russian government's new anti-corruption team, keeps a pistol in his drawer. He is convinced the accident was organised to frighten Mr Chubais off his campaign for a clean privatisation process. "It would cost only Rbs10,000 to hire an assassin to get rid of me," he says with a grin.

Having exposed several crooked deals during his previous career as a journalist, Mr Gurtovoi says his mission is to save his country from "choking on corruption". He reports directly to Mr Yegor Gaidar, Russia's deputy prime minister for economic reform, who has made fighting corruption a key priority lest it stifle his bold efforts to switch to a market economy.

As any foreign or Russian businessman will confirm, bribe-taking and embezzlement are flourishing as never before.

Mr Gurtovoi's 10-man team includes former KGB officers and élite investigating magistrates such as Mr Vladimir Kalinichenko, who made his name uncovering high-level scandals during the communist era. Rather than catch all the corrupt officials in Russia, the role of this élite group is to pinpoint specific malpractices and advise the government on how to legislate and enforce the law.

An attempt, uncovered last week, by defence plant managers and former Communist party officials to transfer valuable state assets into a closed joint stock company called KOLO which they owned is just one manifestation of the corruption permeating society, says Mr Gurtovoi.

The KOLO deal itself is unlikely to have broken any written laws – the country may have had communist laws against economic sabotage, but to date has no laws against either corruption or tax evasion.

Although the team will now investigate this deal to shed light on so-called "nomenklatura" privatisation, whereby officials acquire state assets at well below their value, it claims to have already stopped a major currency swindle involving Rbs300bn and the worldwide narcotics business.

Armenia yesterday accused Azerbaijan of shooting down a military helicopter carrying mainly women and children, an independent Interfax news agency reported.

Interfax quoted Armenia's interior ministry as saying the large helicopter was on a flight from Stepanakert, chief town of disputed Nagorno-Karabakh, to Armenia. It said the aircraft came down near the Azeri town of Kelbadzhar.

"According to the ministry's information, the helicopter, carrying mainly women and children, was hit by fire from Azeri armed units," it said. There was no information on casualties.

Earlier armed groups and civilian protesters halted the withdrawal of Red Army troops from their base in Stepanakert. Armenian residents say only the army can prevent an all-out Azerbaijani attack.

Mr Gurtovoi and his colleagues say many of the schemes are destined either to discredit the government or to manipulate exchange rates to keep the rouble weak.

This particular swindle, foiled two months ago, apparently went as follows. A group of crooked commercial banks, joint ventures, and former party and KGB officials, approached Russian enterprises and collected Rbs200bn with a promise to reinvest it at favourable rates. To this apparently honest pile of money, they added Rbs100bn in need of laundering because it had been misappropriated by the Communist party or the KGB or simply stolen.

The Rbs100bn was set aside to pick up property on the cheap as privatisation gathered pace. This would have been bought on behalf of foreign partners and Russian comrades and would have included the purchase of hotels, factories and narcotic-processing facilities in the former Soviet Union.

The spin-off for the Russians was not only the chance to launder illegal funds, but also to obtain access to hard currency abroad. This came in the form of $1.5bn deposited in accounts for the Russians by their foreign partners, who in turn benefited from a particularly favourable exchange rate to pick up bargains in the former Soviet Union.

Help in tracking down similar deals is only one reason Mr Gaidar has hired New York-based Kroll Associates – the corporate investigations firm which took on the hunt for funds sent abroad by the likes of Duvalier and Saddam Hussein. Its other tasks will include tracking down Communist party money, and millions of dollars kept abroad by state enterprises seeking to avoid tax.

● President Boris Yeltsin will pay a state visit to the US on June 16-17 to review "the ever-strengthening relationships between the two countries," President George Bush said yesterday, Reuter reports from Washington.

INTERNATIONAL NEWS

Indian rupee slips 9.4% as stocks soar after budget

By David Housego in New Delhi

THE Indian rupee depreciated by 9.4 per cent against the dollar in money transfer operations yesterday when foreign exchange markets reopened in India after presentation of a new national budget on Saturday and a bank holiday on Monday.

The Bombay Stock Market (Sensex) index, however, continued its giddy ascent, rising to a new peak of 3457 in acclamation of the budget and the boost it gave to the development of the capital markets. The index has risen 22 per cent since the budget and about 80 per cent since the beginning of the year.

The slide in the rupee follows the announcement made by Dr Manmohan Singh, the minister of finance, in the budget that the rupee would become partially convertible with 60 per cent of foreign exchange remittances exchangeable at a new market determined rate.

The new open market rate yesterday levelled out at $1=29.5 as against an official rate of $1=25.82. Under the new partially floating system, foreign exchange holders are required to change the remaining 40 per cent of a remittance or traveller cheque at the official rate.

Dr Singh told a foreign press lunch in Delhi that he regarded the floating rate as a step to full convertibility "once we get the fiscal situation under control". The government's target is to reduce the budget deficit to 4 per cent of gross domestic product (GDP) over the coming years as compared with a deficit this year of 6.4 per cent. He said the government wanted to move towards dismantling foreign exchange controls.

Dr Singh sought to minimise the inflationary impact of the depreciation, saying that this "would not be very significant." He said that the 20 per cent devaluation of the rupee in July had not had as strong an impact as had been anticipated on manufactured prices.

India's inflation rate has come down to 12 per cent from a 16.7 per cent high in August. But it is still well above the 9 per cent that the finance minister had originally projected for the end of the current financial year.

Bankers yesterday believed that the rupee would depreciate marginally further because dollar demand in Delhi was unusually weak yesterday. The depreciation benefited exporters less than other holders of foreign currency. This is because exporters had previously been entitled to an eximscrip - a marketable currency instrument - on a part of their export earnings and which they could sell at a premium.

Difficulties in administering the eximscrip system were a leading factor in pushing the government to move more rapidly to a partial floating of the currency. The eximscrip system limited the volume of imports to the availability of foreign exchange through export earnings.

See World Stock Market reports

Mr Yitzhak Shamir electioneering yesterday in northern Israel. His defeat of party moderates could prove costly.

Hardliners strengthen grip on Likud

By Hugh Carnegy in Jerusalem

HARDLINERS were yesterday in firm charge of the ruling Likud party of Mr Yitzhak Shamir, the Israeli prime minister, after completing a resounding victory in elections for the party's list of candidates for the general election in June.

But the marked rightward shift in the Likud orchestrated by Mr Shamir and his allies in more than a week of bitter feuding was won at the expense of two important party factions whose angry disaffection could prove costly in the election against a revitalised Labour opposition led by Mr Yitzhak Rabin, the newly-elected leader.

Mr Shamir and Mr Moshe Arens, his defence minister, combined forces with Mr Ariel Sharon, the hardline housing minister, to ensure that the Likud's ranked list of 51 candidates was dominated by their supporters.

MENACHEM BEGIN CRITICALLY ILL

Mr Menachem Begin, former Israeli prime minister who negotiated the Camp David peace agreement with Egypt, was critically ill last night after a heart attack at his Tel Aviv home, writes Hugh Carnegy. The condition of Mr Begin, aged 78 and a near recluse since he resigned as premier in 1983, was said to have improved during the day. But he remained unconscious and was on a respirator. Mr Begin won the Nobel peace prize jointly with the late President Anwar Sadat of Egypt for the 1979 accords.

The losers were Mr David Levy, the foreign minister and champion of the large Sephardi, or Oriental Jewish faction in the Likud, and a group of liberals.

The results were a clear assertion of supremacy by those who have flatly refused to offer any compromise on the claim to perpetual Israeli rule over the occupied territories in the current Middle East peace process and those – like Mr Sharon – who have opposed the talks altogether.

But the outcome opened up deep splits within Likud which was formed from a coalition of forces in the 1970s under former prime minister Menachem Begin, himself gravely ill yesterday after a heart attack. Sephardi party members were furious at what they saw as a crushing of their interests by the Shamir-Arens-Sharon alliance which represents the old Ashkenazi, or European leadership.

In his time, Mr Begin was always careful to court Sephardi support, recognising its role in bringing the Likud to power in 1977. On Monday night, however, his son Binyamin Begin, a senior Likud MP, was booed and jostled out of an attempt to calm a meeting of Mr Levy's angry supporters.

Mr Levy accused his rivals of "destroying the Likud", prompting Mr Shamir to issue public assurances that Mr Levy's positions as deputy prime minister and foreign minister would still be his if Likud won the election. He brushed aside threats from Levy supporters to defect to the Labour party, saying the divisions would soon be smoothed over.

Doubts grow over US guarantees for Israeli loans

By Roger Matthews in Washington

EFFORTS in Washington to patch together a compromise over the $10bn (£5.7bn) loan guarantees sought by Israel appear to be failing, amid fresh controversy over the US administration's intentions, including a report that Washington may cut its annual aid.

Mr James Baker, US secretary of state, announced last week that the administration would not approve the loan guarantees while Israel continued to build new settlements in the Arab territories occupied since 1967. His statement, which coincided with the opening of the fourth round of bilateral Middle East peace talks in Washington, was bitterly denounced by Israeli ministers.

Senator Patrick Leahy, who chairs the Senate subcommittee on foreign aid, has now admitted that wide differences are blocking the path to a possible compromise. In comments to reporters, he suggested even more controversially that Mr Baker had suggested making cuts in the annual $3bn that Israel receives in military and civil aid from the US.

Mr Baker said last week that, if Israel wished only to complete housing under construction on the West Bank and in Gaza, it might be possible to do a deal on loan guarantees. He suggested deducting the costs of completion from the amount of the loans the US would guarantee.

Senator Leahy said on Monday night that one of the biggest differences between his compromise ideas and those of the administration's was that Mr Baker had proposed to make the deductions not from the loan guarantees but from annual aid appropriations.

The State Department quickly denied this, repeating Mr Baker's statement that no conditions should be attached to Israel's annual aid appropriation. However, a spokesman for Mr Leahy insisted yesterday that the senator stuck firmly with his assertion.

Mr Leahy added that the whole question of political conditions being attached to foreign aid had further complicated the issues. "Some in Congress still want to give basically a blank cheque," he said. "I'm not going to vote for a blank cheque in foreign aid for any country. I don't care whether it's Israel, Russia or any other country. I'm not going to do that, nor is the administration."

Palestinians set out plan

By Roger Matthews, Middle East Editor, in Washington

THE Palestinians yesterday submitted to Israel and the US what it described as a comprehensive and detailed plan for an interim self-governing authority on the occupied West Bank and Gaza.

Mrs Hanan Ashrawi, the Palestinian spokeswoman, said it was an historic document of great significance: "If the Israelis reject this then they will be rejecting the whole basis of the peace process."

The proposals which provide for elections to a Palestinian authority that would take broad responsibility for governing the occupied territories are certain to be turned down by Israel. The outline of the plan was put forward by the Palestinian delegation in January. Israel complained then that it opened the door to a Palestinian state, something which it has always opposed.

Mrs Ashrawi added yesterday that she hoped for an initial Israeli response to the 16-page detailed plan at today's negotiating session which is scheduled to be the final meeting of the present series.

Australian current account result prompts growth hopes

By Emilia Tagaza in Canberra

AUSTRALIA'S current account deficit in January was below the psychological barrier of A$1bn (£400m), fuelling further expectations of a gradual recovery from the recession.

The statistics bureau yesterday reported a January deficit of A$861m in seasonally-adjusted terms, up 44 per cent on December's A$599m, but the provisional trend estimate shows a 5 per cent fall on the December estimate, representing a third successive monthly decline.

However, both the government and the markets remained restrained in their optimism, preferring to wait for more definite signs in the national accounts due later this month.

Economists generally see a very modest growth in domestic production in the quarter to December. A second set of figures released yesterday supports this expectation, showing that stock levels remained constant in the quarter to December after falling steadily in the past 18 months.

Meanwhile, foreign debt at the end of December stood at A$144.8bn, up 4.3 per cent on the level at the end of the previous quarter.

Kenyan mothers' protest stopped

RIOT police clubbed four women unconscious and fired shots into the air in Nairobi's central Uhuru (Independence) Park to disperse a group of women hunger-strikers and several hundred supporters, Reuter reports from Nairobi.

Witnesses said police waded into the group of about 50 women – many of them mothers of prisoners – who began a hunger strike on Friday with an appeal to Mr Amos Wako, the attorney-general, to release 52 people they say are in jail for political offences.

AP adds: New US development aid to Kenya has ended under US legislation which halts all but food aid to countries six months late on loan payments.

Libya takes Lockerbie row to international court

By Our Foreign Staff and Agencies

LIBYA yesterday asked the International Court of Justice in The Hague to intervene in its dispute with the US and Britain over their demand for extradition of the alleged Lockerbie bombers.

The Libyan ambassador to Brussels and The Hague, Mr Mohamed Sharaf Eddine El Faitouri, said he had delivered an "official complaint" from the Libyan government to the court. Libya's mission at the UN said it was asking the court to resolve the dispute and to take "appropriate interim action" regarding the extradition case.

The US and Britain have threatened unspecified reprisals against Libya unless it hands over two Libyans accused of the bombing. The latest court move is likely to be seen as further evasion.

Britain meanwhile said Libya's President Muammer Gadaffi's claim to have broken links with the Irish Republican Army "falls far short" of its demands that Libya renounce backing for terrorism. UK officials welcomed Mr Gadaffi's criticism of the IRA, but said words alone were not enough.

Tunisian use of torture 'routine'

By Mark Nicholson, Middle East Correspondent

TUNISIA is accused of illegally detaining thousands of political opponents, most of them members of a proscribed Islamic group, in centres where "torture has become routine", in a report* released today by Amnesty International, the human rights group.

Amnesty says 8,000 suspected members of the *al-Nahda* group had been arrested in 18 months, many held for months in breach of Tunisian law limiting imprisonment without access to family or lawyers to 10 days.

**Tunisia: Prolonged Incommunicado Detention. Amnesty International, 99-119 Rosebery Avenue, London EC1: £2.50.*

Museveni sets himself against the multi-party wind

Uganda's president will not win the plaudits on democracy he has on the economy, writes **Joel Kibazo**

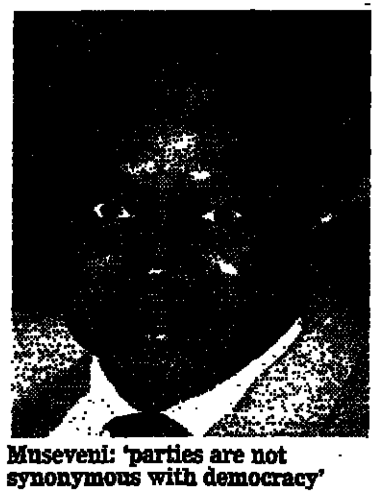
UGANDA'S President Yoweri Museveni has firmly set himself against the prevailing wind of multi-party politics blowing across the African continent. For Uganda it would be a "diversion" and the wrong course, he says.

The president, widely credited by multilateral agencies and the west for tackling the political and economic ravages inflicted by his predecessors, is unlikely to win similar plaudits for this view.

"In our country parties are a basis for division on tribal and religious lines," Mr Museveni said in an interview. "More than 90 per cent of our people are peasants and their problems are to do with selling their crops, getting water and education. It is easier for people to belong to one mass movement like the [ruling] National Resistance Movement.

"Parties are not synonymous with democracy," he added.

Mr Museveni suspended party political activity – parties were not banned outright – soon after coming to power in 1986. He followed this by inviting the parties and tribal factions to join his NRM in forming a broad-based government. His aim was to achieve the reconciliation and political stability that deserted Uganda during the ruinous reign of Idi Amin and Milton Obote during the 1970s and early 1980s.



Museveni: 'parties are not synonymous with democracy'

"Even in those countries in Africa which have adopted multi-partyism [such as neighbouring Kenya, Tanzania and Zambia], I doubt if the experiment is sustainable. We have seen it all before in the 1960s but where did it take Africa? The whole thing just collapsed. I hope to be proved wrong but I just don't see multi-partyism as the best route."

"One only has to look at the progress Uganda has made over the last six years by harnessing the diverse elements. So I say no to multi-partyism but yes to democracy."

Yet, paradoxically, a multi-party movement may be the result of the president's own democratisation measures. Soon after coming to office, he introduced a grassroots democratic system involving the election of so-called "resistance councils" (RCs) in villages, parishes, counties and districts. The RCs in turn elect a member to represent them in the National Resistance Council, the 268-member national legislature, which also includes 20 presidential nominees.

Several RCs, which held elections this week, are known to favour a return to multi-party democracy. Political parties, such as the Democratic party, have also called for the lifting of the suspension on multi-party activity.

The political debate is likely to reach a head in December when an independent commission drafting a new constitution is due to report. Mr Museveni has indicated he would abide by the commission's decision.

The current political debate, however, is unlikely to overshadow Mr Museveni's impressive list of achievements on the economic front. Gross domestic product has increased by 6 per cent for each of the past five years; inflation has been cut from its 1988 peak of 240 per cent to about 35 per cent in 1991; inefficient state monopolies have been abolished; and a new investment code and privatisation programme have been introduced.

Most of this radical overhaul has been with the help of a stringent World Bank structural adjustment programme.

The World Bank says it is "optimistic" about the outlook for the economy and is soon to release $125m to cover the next 18 months of the structural adjustment programme and $65m for privatisation.

One area of prime concern is falling revenues from Uganda's main foreign exchange earner, coffee – largely the consequence of the collapse of the International Coffee Agreement in 1989 which aimed to support prices through an export quota system. Coffee earnings have slumped from about $285m in 1989 to $140m last year and now account for some 70 per cent of total export earnings, down from 97 per cent 1987.

At the same time the government has sought to ease dependence on coffee exports by encouraging production of other crops such as bananas, pineapples, beans and sesame seed and cotton. Last year, exports of these crops totalled $50m.

The immediate problems of the economy however are dwarfed by the ravages wrought by Aids. More than 1m people are reported to be HIV positive of a population of about 17m. The disease is described by the authorities as their greatest social problem.

Corruption remains widespread and a December 1991 Amnesty International Report accused the Army of "torturing, executing and detaining people".

Mr Museveni said: "We have tried to respect human rights. Where violations have taken place we have taken action. I wouldn't like to say Amnesty are not a serious group but all they seem to do is reproduce the accusations of bandits."

Such problems are likely to continue taxing the ingenuity of Mr Museveni at least until 1995 when presidential elections are due. He said he was unsure if he would stand. "If I do, it will only be for one term. If Uganda isn't stable by then, then I don't see why I should devote the rest of my life to it. I have other things to do. After all, if a company does not break even in 15 years, it will never be viable, will it?"

AMERICAN NEWS

Gotti aide reveals Mafia secrets to murder trial

By Alan Friedman in New York

US prosecutors hope to make more progress in the battle against organised crime following revelations about the structure of the Mafia by a top-ranking member of the Gambino family, the biggest crime "family" in the US.

The revelations came during testimony in the Brooklyn trial of Mr John Gotti, the reputed Mafia head of the Gambino family, who is known as the "Dapper Don".

Mr Gotti, who has escaped conviction in three earlier trials, is accused of ordering five murders, extortion, illegal gambling and obstruction of justice. The most important of the murder charges concerns the 1985 shooting of Mr Paul Castellano, the previous head of the Gambino crime family.

Mr Salvatore Gravano, who has been identified by US officials as Mr Gotti's second-in-command, or *consigliere*, described in detail on Monday how he and Mr Gotti spent 10 months planning the assassination of Mr Castellano.

Mr Gotti remained silent, with a tense smile, as his former lieutenant described how he had been inducted into the Mafia in 1976 in a blood ceremony and how by testifying he had broken the Mafia's traditional pledge of *omerta*, or code of silence.

"John was the boss. I was the underboss. I helped John run the family," Mr Gravano explained, before describing a pattern of loan-sharking, armed robberies and his own participation in 19 murders. US prosecutors have agreed to reduce Mr Gravano's own prison sentence to 20 years in exchange for his turning state's witness.

Not since the 1985-86 Palermo maxi-trial has a top-ranking Mafia insider in the US or Italy broken the code of silence and provided law enforcement officials with such a detailed portrait of how organised crime works.

While prosecutors hope Mr Gravano's testimony will play a key role in convicting Mr Gotti, they also hope to make use of less public leads to further their campaign against the Gambino and other US Mafia families, whose annual revenues total billions of dollars.

Prosecutors have taken special precautions to isolate and protect members of the Gotti jury. They have argued that Mr Gotti's criminal organisation has a history of influencing jury members not to convict him and recently brought a bribery charge against a former member of a jury that acquitted Mr Gotti in an earlier trial.

Indians win a valley in Chile

By Leslie Crawford in Santiago

THE CHILEAN government has for the first time assumed the defence of Indian rights by purchasing a disputed valley in the southern Andes to save a clan of Pehuenche Indians from being evicted from their ancestral lands.

The government agreed late on Monday to pay $6.15m to the landowners of the Quinquen valley. The deal was struck less than 24 hours before an eviction order against 150 Pehuenche "illegal squatters" was due to take effect. Most of the valley will now become a protected Indian reservation – the first to be established in Chile in over a century.

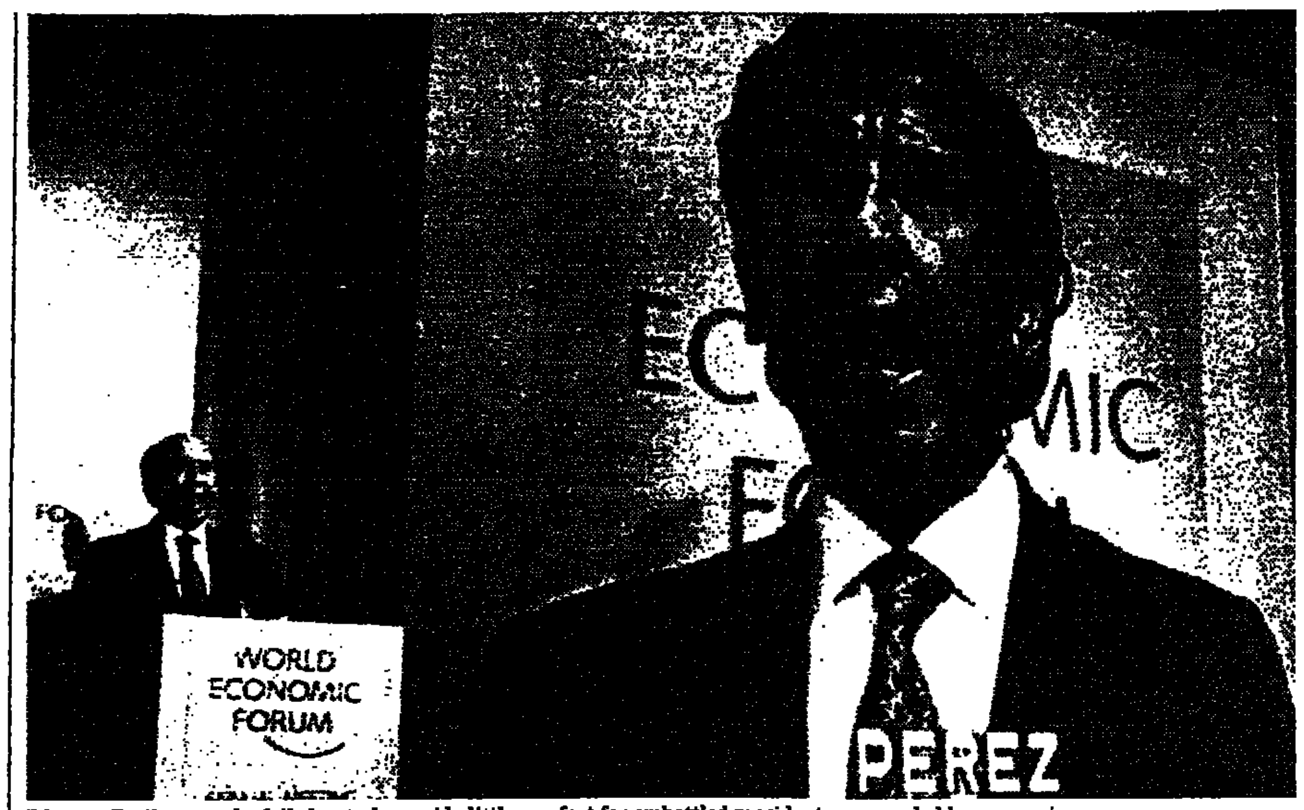
President Patricio Aylwin's decision to secure land for the Pehuenches is likely to set an important legal precedent. Land disputes between white settlers and Chile's 500,000 Mapuches – the tribe to which the Pehuenche clan belongs – have escalated in recent years with the growth of cattle ranching, forestry and tourism.

"There are over 600 cases of land poaching which the Mapuches have no hope of winning through the courts," says Mr Eduardo Astorga, an Indian rights lawyer. "The only way to settle these conflicts is for the government to rally to their defence."

Late last year, Mapuche groups staged a series of land seizures in southern Chile to draw attention to their plight. The occupations were ended with brutal efficiency by the Carabineros, Chile's paramilitary police.

Mr Astorga said Indian groups would lobby Congress this year to ensure the passage of legislation to protect Indian rights. The government has submitted a draft bill to establish a "land fund" to purchase some of the territory the Mapuches have lost this century.

Chile's right-wing parties, which control the Senate, oppose the land fund. They are also against granting special recognition to Chile's native peoples, which include the Aymaras in the north, the Mapuches in the south, and the Rapa Nui on Easter Island.



Pérez: reflections on the failed putsch provide little comfort for embattled president unrewarded by economic successes

Venezuela's tensions sharpen

The putsch is past, but the problems mount, writes **Joseph Mann**

ONE MONTH after a thwarted military uprising aimed at toppling the elected government of President Carlos Andrés Pérez, Venezuela has slid into political crisis.

Although the country apparently returned to normal almost immediately after the one-day putsch on February 4, the military revolt shocked the political and military establishments, sharpening tensions already existing in the country's 34-year-old democratic system.

Several unparalleled – and for Venezuela, shocking – events have occurred over the last two weeks:

● Important national figures in one of the two main opposition political parties have called on Mr Pérez to resign. The president, whose five-year term is scheduled to expire in February 1994, has refused.

● In an effort to staunch widespread corruption in the judicial system, the attorney general and other prominent figures have asked the entire supreme court to resign so that they can be replaced with individuals not linked to the country's two main political parties.

● The chief opposition party, the Christian Democrats (Copei), and other groups are demanding a national referendum on the government and a new constitution.

● Venezuela's armed forces were placed on alert on Monday after an apparently minor incident where a small group of soldiers stole firearms from the country's principal military installation, Fort Tiuna in Caracas.

● Differences and mistrust between officers in the armed forces and politicians, especially those in the ruling Democratic Action (AD) party, have become acute. General Fernando Ochoa Antich, minister of defence, recently made a surprising public appeal to Venezuelan politicians to show respect for the military. This type of public statement by a Venezuelan military leader is highly unusual.

By law, Venezuela's armed forces are banned from political activity. However, many officers have been angered by harsh attacks aimed at the rebels – and indirectly at all the military – by the government and some politicians.

All this has occurred in a tense atmosphere where much of the population rejects the government's three-year-old economic reform programme, where rumours of another military uprising are common and where Venezuela's normally open media are practising self-censorship.

That the problems are deep rooted is suggested by the economic background, which is not one of weakness but of the fastest economic growth in the region. In 1992, the oil-dominated economy is expected to grow strongly again for the third successive year.

The main problem, however, is inflation, which continues to offset positive results of Mr Pérez's economic reforms, such as greater employment.

At the same time, the five lieutenant-colonels who led the uprising are becoming national heroes, something the government wished to prevent at any cost. Though it may never be known what the arrested army officers had in mind, they are being described in the press as bold reformers who planned to kick out corrupt politicians, eliminate painful economic reforms and put the country on the right track.

In fact, the putsch has emboldened critics of the government's economic policies; rallied new efforts to reform the political system and, especially, to attack Venezuela's legendary corruption; provided a new forum for Mr Pérez's political enemies; and aggravated tensions between the armed forces and the civilian leadership.

President Pérez has meanwhile shifted a number of army officers, changed his cabinet, promised to intensify the government's already generous social welfare spending.

Attention has been focused on a special presidential committee of eight prominent individuals who have been asked to define the country's most critical problems and propose solutions. The eight-member panel, which includes figures who have been critical of the president's policies, are expected to recommend – among other things – rolling back, or at least softening, the government's free-market economic reforms. Mr Pérez has repeatedly asserted that he will not repeal those reforms.

Bush promises to veto bill increasing tax on the rich

By George Graham in Washington

PRESIDENT George Bush yesterday promised to veto new legislation that would increase taxes on the wealthy, as the Senate pressed forward with a bill to do just that.

Mr Bush had already threatened to veto a tax bill agreed last week by the House of Representatives, and yesterday repeated his warning for a revised version of the bill pushed by Senator Lloyd Bentsen, chairman of the Senate finance committee.

"The House passed a tax increase, which I'll veto, and now the Senate is going about the same business," he declared yesterday, as the debate over what sort of tax package is needed took centre-stage in the presidential election campaign.

Mr Bush has challenged the Democrat-dominated Congress to pass his package of fiscal measures, including a cut in the capital gains tax, which he claims would help to stimulate the still weak US economy.

The Democrats have challenged his package, saying it is financed by accounting gimmicks and complaining that it favours the wealthy.

They have countered with a proposal to give a tax credit to middle-income families, to be paid for by higher taxes on the rich.

Senator Bentsen's version of this proposal would provide a tax credit of $300 (£171.40) per child, to be paid for by a new 36 per cent top-rate tax band which would affect couples earning over $210,000.

Both the rate and the threshold are higher than the version passed last week by the House, countering President Bush's charge that the measure would result in a tax increase for the middle class.

The Bentsen tax package is estimated to be worth $60bn over six years.

President Bush has been constrained in his attacks on the Democrats in Congress by the challenge he issued them in his State of the Union speech; by asking them to work in a bipartisan way to pass his package of tax measures by March 20, he has hindered himself from criticising them.

Now that the Democrats have produced their version of the tax package, including the increase in income taxes on the wealthy, a measure anathema to Mr Bush, he is free to attack them again.

The president also said he now regretted his 1990 budget compromise with Congress, in which he agreed to an increase in taxes – breaking his 1988 "no new taxes" campaign pledge – in exchange for caps on discretionary spending.

"Every once in a while, you've got to do something that tastes like castor oil," he said, but concluded that the compromise was in his view, a mistake.

WORLD TRADE NEWS

Japan and Canada attack US ruling on Honda assembly

By Robert Thomson in Tokyo and Bernard Simon in Toronto

JAPAN and Canada have protested against a US Customs Service ruling that cars made by Honda in Ontario do not qualify for duty-free benefits under the US-Canada free trade agreement (FTA).

Mr Kozo Watanabe, Japan's international trade and industry minister, said his ministry had expressed concern to the US on the decision and might file a more formal complaint. The US ruling "lacked transparency", he added – a complaint generally made by US trade negotiators about Japanese rules.

Japan was studying whether the decision "reflects discrimination against foreign companies". The US decision comes as Tokyo senses anti-Japanese sentiment is growing in the US, leading some Japanese officials to believe the ruling is politically motivated.

In Canada, the Honda case follows several trade disputes which are raising questions about Washington's commitment to the letter and spirit of the 1989 free trade agreement. Mr Gordon Ritchie, who was Canada's deputy chief FTA negotiator, noted that while others might see the Honda decision as another case of discrimination against Japan, "Canadians see it as Canada-bashing".

Ottawa is expected to ask the Honda case be referred to a binational dispute panel set up under the FTA. One such panel is already investigating the calculation of local content at another car-assembly plant in Ontario jointly owned by Suzuki and General Motors.

The US ruling will require Honda to pay a 2.5 per cent duty on the 80,000 Civics shipped to the US from Ontario. Under the FTA, cars assembled in Canada must have at least 50 per cent North American content to qualify for duty-free entry to the US.

Honda considers the Civic's North American content to be about 69 per cent.

One point in dispute is the Customs Service ruling that the Civic's engine, assembled in Ohio by Honda of America, does not qualify as North American because it includes various Japanese-made components.

Gatt praise for Finnish trading regime

FINLAND runs a generally liberal trading regime, but its heavy reliance on preferential trading arrangements and high protection for domestic agriculture come in for criticism in a Gatt report, Frances Williams reports from Geneva.

Members of Gatt's governing council discussed the report yesterday. They praised Finland for avoiding trade-curbing measures to cope with economic difficulties resulting from world recession and collapse of the former Soviet Union, until recently Finland's biggest export market.

The report says over 80 per cent of Finland's trade is now with EC countries and the European Free Trade Association (Efta). While 90 per cent of imports enter duty free, only 30 per cent come in duty free on a "most favoured nation" (MFN) basis under Gatt's non-discrimination principle.

Developing countries said yesterday this hampered their exports to Finland because they face high tariffs on products such as food, textiles and footwear while Finland's (mostly European) preferential trading partners do not.

Concern was expressed that the share of preferential trade will increase, with Finland's planned membership of the EC and the European Economic Area. Free trade arrangements have been set up with the Russian Federation and the Baltic states. The council stressed the need for these moves to help develop the multilateral trading system; it saw benefits for Finland's economy in closer European integration, especially through tougher competition rules applied to sheltered domestic markets.

Also criticised were economic distortions caused by Finland's heavy agricultural subsidies, leading to Europe's highest food prices and protection of its food processing industry. Subsidised exports of farm surpluses had helped to disrupt world markets. Finland has offered to slash farm export subsidies in the Uruguay Round, and to cut overall tariffs by one-third. Gatt says cuts in barriers to trade, with greater integration in the European market, would help re-establish Finland's competitiveness in world markets.

Taiwan plan makes virtue out of necessity

Luisetta Mudie looks at a £186bn, six-year infrastructure development programme

TAIWAN'S Nationalist Kuomintang government is looking to its brainchild, a six-year National Development Plan, to consolidate its support at home and win greater recognition for Taiwan abroad.

The plan – which the government claims is "the beginning of responsible government" – is in fact less a plan than a list of things which desperately need doing in Taiwan.

A side-effect of the island's economic miracle has been the overburdening of the infrastructure and supplies of electrical power and water, as well as a lack of educational, cultural and recreational facilities; and while the economy has been growing fast, the filth has been pouring into Taiwan's rivers, countryside and air.

The six-year timespan was set to coincide with the term of office of President Lee Teng-hui – who is also chairman of the Kuomintang – which ends in 1996. However, many of the 700 or more projects were started before 1991, and with more than 30 behind schedule at the end of last year, the plan looks set to go beyond 1996.

With a budget of T$8.2trillion (£186bn), the plan includes several big highways, construction of which is already under way and a high-speed railway linking Taipei to Kaohsiung.

Central Taipei: overburdened infrastructure at work

The need for a fourth nuclear power station is still under debate.

As part of an attempt to even out the island's development internally, Taiwan will be divided into 18 new community hubs, each with its own employment opportunities and facilities for education, culture and recreation, all interconnected by mass rapid transit systems.

The plan is intended to indicate the Kuomintang's commitment to Taiwan in the long term and bolster confidence in the island's political stability, without softening its stance against independence or preconditions for re-unification with mainland China.

Stimulating domestic demand and encouraging more investment on the island, especially in research and development, are among other goals of the six-year plan, along with the development of Taiwan as a regional financial centre. The government is increasingly worried that Taiwan will become over-dependent on trade with China through Hong Kong, if the economy does not become more mature. Trade with Hong Kong exceeded $5bn in 1991.

Financing for such a huge plan has long been the subject of a cabinet-level controversy. The government has to find T$3.6trillion from its own capital accounts, including revenue from privatisation, sale of government stocks and the issue of construction bonds. It hopes that another T$2.5trillion will come from investment by public and private companies.

Mr Wang Chien-hsien, finance minister, has, however, criticised these estimates as being unrealistic and says "the financial resources of the entire nation will be needed," if government finances are not to be overstrained. Mr Wang estimates that in 1992-93 the government must issue $34 of bonds for every $100 it spends.

Ms Shirley Kuo, head of the Council for Economic Planning and Development, which oversees the plan, is adamant that money is not a problem. Ms Kuo expects that the issue of bonds will make up less than 20 per cent of the government's commitment.

"There are many ways of borrowing from the public.... The government is confident of covering the annual shortfall because our people here have always had so much spare money," she says.

The wealth of opportunities for participation by foreign companies has boosted the flow of high-level missions to Taiwan in recent months.

Among those successful so far have been Acer John Taylor and London Transport International as consulting engineers, and LT's French counterpart Metra which has won a contract to build an entire line of the rapid transport system.

Involvement of other foreign companies has so far mainly centred around the construction of the rapid transport systems, already under way in Taipei and planned for four other big cities. The Anglo-French GEC-Alsthom has high hopes of clinching the contract to make rolling stock for the transport system.

Nissan to export engines from UK for Spanish plant

By Kevin Done, Motor Industry Correspondent

NISSAN, the Japanese car maker, is to begin exporting engines for the first time from its UK car plant. The engines will go to Spain for a range of vehicles to be launched late this year.

Nissan yesterday unveiled in Geneva its new-generation Nissan Serena "people carrier", a seven-to-eight seat high-roof estate car, to begin production in autumn at Nissan Motor Iberica, its Spanish vehicle subsidiary in Barcelona.

The Serena will compete in one of the fastest-growing segments of the European market, pioneered in the 1980s by the Renault Espace. Several European vehicle makers are developing rival products, including Volkswagen and Ford, in a joint venture in Portugal, and Peugeot and Fiat in another in northern France.

Nissan said yesterday it would export about 8,000 1.6- and 2-litre petrol engines from its Sunderland plant to Spain this year for use in the Serena. It expects Serena output to grow to about 35,000 in 1993.

It is installing capacity to build 50,000 units a year, and estimates some 70 per cent will be powered by petrol engines supplied from the UK. A diesel engine will be manufactured in Spain.

Nissan has invested about £53m in its aluminium casting, engine component machining and engine assembly plants at Sunderland, to supply the UK and Spanish vehicle assembly plants. UK car output is set to rise to 175,000 this year and to 270,000 in 1993, when the Japanese manufacturer will also launch a range of four-wheel-drive leisure/utility vehicles.

Hyundai tenders for HK bridge

By Andrew Taylor, Construction Correspondent

THE Hong Kong government is expected to decide next week whether to allow a very low tender from less-experienced South Korean contractors to be short-listed to bid for a contract to build the world's second largest, single-span, suspension bridge.

The contract to build the Tsing Ma bridge, part of Hong Kong's HK$98.6bn (£7.2bn) airport project, has prompted bids from European, Japanese and South Korean companies.

Hyundai, Korea's second largest conglomerate, has bid HK$2bn (£150m) less than the second lowest bid to build the crossing.

The group, a big international contractor, has no experience of building a large suspension bridge. Hong Kong authorities, though tempted by the low price, are understood to have reservations about the group's technical expertise in suspension bridge construction on this scale.

In an attempt to overcome these reservations, Hyundai has approached several large international engineering groups, including UK and Japanese companies, to see if a joint bid could be made.

The Tsing Ma bridge will be the first large contract to be let under the airport project. The Hong Kong government, which is funding the bridge and other works, has been anxious to generate keen price competition.

Rival bidders accept that it would be very difficult, if the Korean bid is shortlisted, for the authorities to choose another scheme. Hence the importance being attached to the tender review board's decision on which of four remaining bids will be allowed to proceed for final consideration.

Hyundai, according to its rivals, has bid HK$5.5bn (£400m) for the contract. The second lowest bid is understood to come from an Anglo-Japanese consortium of Trafalgar House and Costain of the UK and Mitsui of Japan, believed to have bid about HK$7.5bn.

There are two other bidders: an international consortium including Bouygues and Dragages of France and Hochtief of Germany, understood to have bid HK$8bn, and a Japanese consortium including Nippon Steel, Kobe Steel, Mitsubishi and C.Itoh, understood to have bid about HK$10bn.

The all-Japanese bid is not expected to make the short-list, leaving the battle for places to the three remaining groups. These could be reduced to two when the short list is decided.

BA in talks with Boeing on 600-seat airliner

By Paul Betts, Aerospace Correspondent

BRITISH Airways is discussing with Boeing the possibility of introducing into its fleet a new 600-seat jumbo airliner by the turn of the century.

Mr Robert Albrecht, a Boeing executive vice-president, confirmed yesterday that Boeing had held talks with BA and other Boeing 747 jumbo operators on developing an ultra-large commercial aircraft. But the timing of such a project was uncertain and depended on market demand.

Boeing has formed a special unit to study developing a 600-seater aircraft and recently invited executives from potential customer airlines to discuss the super jumbo project. The European Airbus consortium is also studying the possibility of building a 600-seat ultra-large aircraft.

BA said yesterday it had set up a study group to evaluate with airframe and engine makers the airline's future requirement for a super jumbo. It would envisage using such an airliner on long-distance routes. It sees the cost of a super-jumbo as about $175m (£100m), against $125m for a 400-seater Boeing 747-400.

BA suggested the new ultra-large aircraft could include a gymnasium, a central lounge, sleeping quarters as on-board facilities. Makers expect strong demand for a super-jumbo from airlines in the Asia-Pacific region where air traffic is expected to expand in the next decade. Boeing and Airbus are also seeking to interest Japanese aerospace companies in sharing in their respective super jumbo projects.

BAe and Hughes win £570m missile order

By David White, Defence Correspondent

BRITISH AEROSPACE (BAe), the UK defence equipment and aircraft manufacturer, has won an order worth £570m to supply new air combat missiles for the RAF against fierce international competition.

The decision announced in the House of Commons yesterday by Mr Tom King, defence secretary, provides a crucial lease of life to BAe's Dynamics division but is unlikely to quell speculation about a reorganisation in the UK guided weapons business.

Under the order, BAe will complete development of its Advanced Short-Range Air-to-Air Missile (Asraam) with Hughes Aircraft of the US, and provide initial supplies for the RAF.

Mr David Laybourn, the division's managing director, said the contract "will provide a firm foundation for Dynamics for the foreseeable future".

The company has estimated its potential export market for the close-combat missile, including the US, at more than £5bn.

The decision comes after successive delays and setbacks to the project, launched 12 years ago as the European element in a joint US-European scheme for arming new fighter aircraft.

Failure to win the contract would have resulted in up to 1,000 further redundancies at BAe's Dynamics division and deprived it of its only immediate prospect for a newly-developed missile.

Competitors for the deal were GEC-Marconi in collaboration with Matra, manufacturers of the rival French Mica missile, and BGT of Germany, which proposed an upgraded version of the current US-designed Sidewinder.

The decision is a setback for GEC-Marconi, which recently took the first step towards becoming a producer of complete missile systems by concluding a £38m takeover of Ferranti International's guided weapons business.

GEC-Marconi, which has acted until now as supplier of guidance systems for BAe missiles, said: "We will carry on regardless." It had found a significant business opportunity but still had a number of other prospects and expected to continue its relationship with Matra.

The contract announcement followed widespread speculation about a merger between BAe and GEC-Marconi in the missile sector.

While the Asraam order may make it less imperative for BAe to sell a stake in its Dynamics division, analysts see it as strengthening the company's hand in obtaining good terms for a joint venture deal. A plan to merge the division with the guidance systems activities of Thomson-CSF of France fell through a year ago.

Yesterday's contract is BAe's biggest for guided weapons for about five years. The group was also the main beneficiary of a £500m package of aircraft, helicopter and missile orders awarded last month on the day it announced an £81m loss for 1991.

BAe is believed to have trimmed its price for Asraam substantially since the Ministry of Defence decided 18 months ago to open the deal to competition. The missile will equip RAF Harrier jump-jets and the planned European Fighter Aircraft.

Most of the work will be carried out at BAe's plants at Stevenage, north of London, and Lostock, Lancashire, north west England, and at Hughes' facility at Glenrothes, Fife, Scotland.

Major sub-contractors include Thorn EMI, Lucas Aerospace, and MBB of Germany.

Last month BAe announced a further 450 job cuts in its Dynamics division, reducing the total workforce to 6,000 compared with 16,500 in 1989.

● Labour MPs accused the government in the Commons yesterday of using orders for defence equipment to strengthen the position of Conservative MPs in marginal constituencies at the coming general election.

Government revises plan to privatise British Rail

By Richard Tomkins, Transport Correspondent

HEAVILY revised plans for the privatisation of British Rail, the state railway network, will be put forward after the general election in the event of a Conservative victory.

Mr Malcolm Rifkind, the transport secretary, appears to have lost his battle to sell off BR's InterCity and Railfreight divisions complete with tracks and trains.

Instead, all BR's tracks are likely to be handed to a single central body which will make them available to BR or any private sector companies wanting to run trains on them.

BR's four operating divisions - InterCity, Railfreight, Network SouthEast and Regional Railways - will be sold to the private sector without their tracks as each becomes profitable.

The four divisions' profits will be boosted by removing unprofitable but socially necessary services and putting them out to tender, with franchises going to whichever private operators require the smallest subsidy to operate them.

Details of the privatisation plans, although agreed by ministers, are unlikely to appear in the Conservative party manifesto for fear that they could lose votes.

The policy document paving the way for BR's privatisation was supposed to have appeared by the end of last year, but it became bogged down by ministerial differences over how to proceed.

The centrepiece of Mr Rifkind's plan was a speedy sale of the profitable InterCity sector complete with tracks and trains: but other ministers - notably, it is believed, Mr Peter Lilley, the trade and industry secretary - argued that InterCity's ownership of the tracks would inhibit access by competitors.

Mr Rifkind is now believed to have bowed to pressure from cabinet colleagues, but the policy document has been postponed till after the election to avoid controversy.

In the meantime ministers have dropped all references to the wholesale privatisation of BR, instead focusing on the shorter-term objective of ending BR's statutory monopoly on railway services and encouraging the private sector to start running passenger and freight trains alongside BR's.

MPs to propose sweeping reform of pension laws

By Norma Cohen and Ralph Atkins

PENSION FUND trustees in Britain would be subject to the same strict rules as company directors under proposals for sweeping changes to pension laws planned by a cross-party parliamentary committee.

The House of Commons select committee on social security, which has been looking into the disappearance of hundreds of millions of pounds from pension funds controlled by the late Mr Robert Maxwell, is expected to cite rules in the UK Companies Act requiring an annual general meeting for members, timely release of annual accounts and the requirement that company directors be "fit and proper" people. It wants a new pensions law introduced to translate these rules into requirements for trustees.

The MPs will also recommend that the remit of the Occupational Pensions Board (OPB), which oversees some aspects of pension operations, be extended to cover all the assets of occupational pension schemes. Currently, the OPB is only required to determine that each scheme has enough assets to pay the small portion of workers' pensions which would otherwise be covered by the state.

For the great majority of UK pension funds which have "opted out" of the State Earnings Related Pension Scheme, that portion is no more than 20 per cent of a worker's total pension.

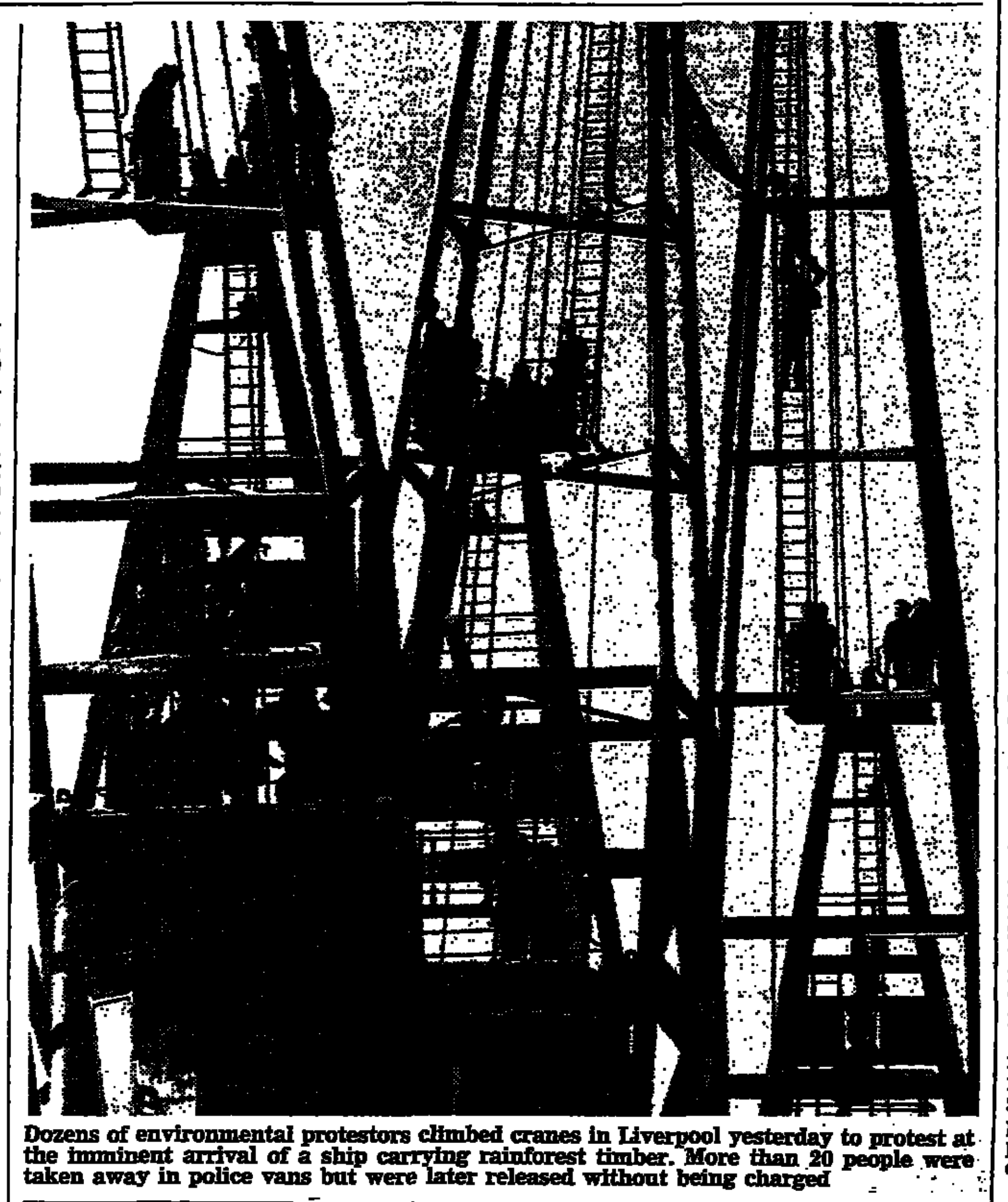
MPs on the social security committee are today expected to call for an inquiry following the failure of regulators to stop Mr Robert Maxwell from raiding pension funds of the companies he operated.

The Department of Social Security is understood to be organising such an inquiry into pension fund legislation. Its remit is likely to be announced after the general election.

Before then, the social security committee is expected to condemn the City regulatory authorities for being intimidated by Mr Maxwell.

The MPs believe there was a vacuum in the regulatory system which justifies a radical overhaul of British pension legislation after the general election.

The committee's report is expected to call on the Securities and Investments Board to review the activities of the Investment Management Regulatory Organisation which allowed Mr Maxwell to control a fund management company which gave him personal access to his employees pension funds.



Dozens of environmental protestors climbed cranes in Liverpool yesterday to protest at the imminent arrival of a ship carrying rainforest timber. More than 20 people were taken away in police vans but were later released without being charged

Women backed in pensions test case

By Lisa Wood, Labour Staff

NINETY ONE women whose employer raised their pension age from 60 to 65 without their consent are being backed by the Equal Opportunities Commission (EOC) in a claim of unlawful discrimination.

The women, who work for Avdel Systems, based in Welwyn Garden City, north of London, had planned to retire at 60 and draw full pensions. They were told by their employer that unless they continued to work until they were 65 their pensions would be reduced by four per cent a year.

The case is the second one to be financially supported in an industrial tribunal by the EOC. A similar, but smaller case, has been held up at the appeals stage. The EOC said if women were successful an important legal point could be made which could affect substantial numbers of employers.

This was because a recent survey found more than 60 per cent of employers have decided to raise the pension age of women workers to 65, the same age as men, in order to comply with the Barber judgement at the European Court of Judgement which required equality in occupational pension schemes.

The EOC said it had decided to support a second case because it increased the public profile of the issue as well as increasing the likelihood of success.

Pet theory points to lack of ideas

By David Owen

THE British public must be hoping that John Major does choose April 9 for the general election.

The possibility that he might hang on until July 9 must strike dread into most voters hearts.

Yesterday there was conclusive evidence that the three main political parties have run out of things to say in this pre-election phoney war.

The centrist third-party Liberal Democrats solemnly called a press conference to unveil a new policy document entitled: "A pet is for life", which crowed that they were "the first party to formulate a policy for pets".

This bid for the potentially crucial canine and feline vote includes an Animal Protection Commission to enforce and recommend changes to legislation.

Mr Simon Hughes, the party's fresh-faced proponent of all good causes, has high hopes of getting such a commission onto the agenda if the Liberal Democrats become involved in post-election talks with potential coalition partners, in the event of no party securing an overall majority.

Yesterday's policy document covered "an extremely important subject indeed", insisted Mr Hughes. Bereft of furry or feathered props, he pledged stringent Liberal Democrat restrictions on "tail-docking, ear-cropping and other cosmetic mutilations."

CONSTITUTIONAL REFORM

Smith advocates devolution in UK

By Philip Stephens, Political Editor

MR JOHN Smith, Labour's chief finance spokesman, yesterday threw his formidable political weight behind his party's commitment to a radical programme of constitutional reform if it wins the election.

Speaking at a lunch organised by the journalists' charity, the Newspaper Press Fund, Mr Smith called for the large-scale dispersal of decision-making from London to update "the constitutional architecture" of the UK.

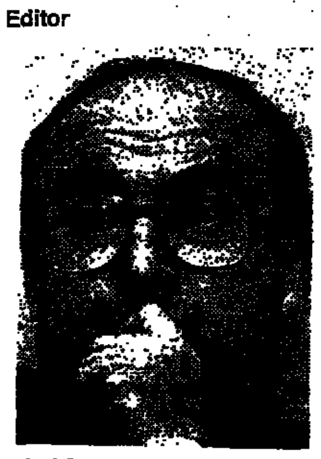
Drawing a strong link between systems of government and relative prosperity, he contrasted the UK's relative decline with Germany's economic success.

Mr Smith dismissed the case of those who argued that the House of Commons was among the powerful and effective legislatures in the western world.

Instead, the concentration of political authority in the executive had left parliament weak and out-of-date with little of the influence of comparable institutions elsewhere.

Drawing unfavourable comparisons between the UK and Germany, Mr Smith said that devolution for Scotland and closer integration within the European Community should be seen as the starting point for sweeping reforms.

He envisaged a structure in which power was properly shared across four tiers of government. At the lowest level would be the local authorities. Above them the Scottish, Welsh and English regional assemblies proposed by Labour. The third and fourth tiers would be provided by Westminster and Brussels respectively.



Smith: seeking reform

In his remarks yesterday Mr Smith alluded frequently to the economic as well as the political advantages that Germany had derived from the federal structure of its post-war constitution.

As a prospective chancellor of the exchequer, he stressed that he was willing to accept that devolved government in the UK would curtail significantly the chancellor's freedom to making sweeping changes in his annual budgets.

Directors urge tax abolition

By Richard Evans

BUSINESS leaders yesterday urged an incoming UK government to adopt sweeping economic reforms based on the application of market forces and involving the eventual abolition of income tax and direct taxes.

The Institute of Directors, which has 49,000 members, published its own comprehensive 112 point programme as a challenge to the three main political parties as they prepare their own general election manifestos.

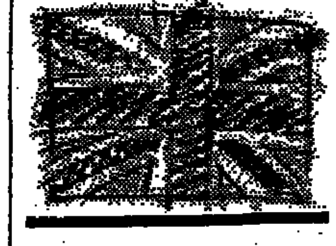
The tone of the document is uncompromising: it advocates a free market economy untrammelled by subsidies or government interference.

Among the more provocative recommendations are the wholesale privatisation of all the UK's remaining state-controlled enterprises, including motorways, the introduction of tax relief on health insurance and private education, and the abolition of capital gains and inheritance taxes as well as income tax.

The Institute, under Mr Peter Morgan, its director general, and his predecessor Sir John Hoskyns, is regarded as one of the more influential policy organisations of the right, although it has no direct political affiliation. However, there is an assumption that Mr John Major is not as keen on some of the IoD's ideas as was Mrs Thatcher.

Mr Morgan said at a London press conference yesterday that a refocusing of the balance between government, markets and the individual was the theme that ran through the document.

BRITAIN IN BRIEF



Ford retains leadership in car market

Ford new car registrations in the UK have accelerated suddenly in the final days of February in spite of the company's repeated claims that it would not "buy market share" in order to boost sales following record financial losses last year, writes Kevin Done in Geneva.

Last week Ford of Britain said overall UK new car sales had weakened dramatically at the end of February, as private car buyers delayed purchases ahead of a possible cut in car tax in next week's Budget.

It also said that it expected to be ousted by Vauxhall, the GM subsidiary, from the leadership of the UK new car market for the first time - on a monthly basis - since the mid-1970s. Official new car registration figures for February will be announced on Thursday, but it was disclosed in Geneva that Ford's sales grew dramatically at the end of last month contrary to the company's statement last week.

Although Ford's daily market share was never above 20 per cent in the first 20 days of the month, its daily share accelerated in the latest four reporting days to 25.0 per cent, 24.1 per cent, 32.3 per cent and finally to 36.3 per cent.

British reserves rise by $181m

Britain's gold and currency reserves rose by an underlying $181m in February, indicating that the Bank of England did not have to support sterling in the European exchange rate mechanism last month.

The Treasury said the increase, which confounded market expectations of a small $120m decline in the reserves, partly reflected $51m of foreign proceeds from the privatisation of Britain's power companies.

The overall level of Britain's official reserves, which includes borrowings in foreign currencies and Ecu and official repayments, rose by $169m to $44.76bn at the end of February from $44.59bn at the end of January.

Lenders launch fraud campaign

Banks and building societies have launched a campaign to combat credit card crime following a 35 per cent surge in plastic fraud last year.

The campaign, part of a three year programme, involves heightening public awareness to the growth of credit card fraud and introducing more sophisticated technology such as digital signatures, fingerprint recognition and personal identification numbers for shop transactions as well as automatic teller machines.

UK-Italian bid wins road deal

Midland Expressway, an Anglo-Italian joint venture, have signed the concession agreement to build Britain's first privately financed toll motorway.

The Birmingham Northern Relief Road, which will run for 30 miles, will provide motorists with an alternative to the congested M6 public motorway north of the city.

The winning bid was submitted by a joint venture between Trafalgar House, the UK construction to hotels group and Iritecna of Italy, previously known as Italstat, and Europe's biggest toll road operator.

London seeks European bank

A campaign to attract the proposed European Central Bank to London has been urged by the Corporation of the City of London and the Labour-led Association of London Authorities.

The Corporation - the City's local authority - is preparing to fund and lead a campaign. Its common council will be asked later this month to make £1m available for the purpose, looking to draw on support and expertise from a range of City institutions.

"We intend to run a positive campaign stressing the advantages of London, particularly the ready access to its financial markets", said Mr Michael Cassidy, chairman of the Corporation's policy resources committee.

Business backs Olympics bid

Manchester's bid to stage the Olympics in the year 2000 will be backed by businesses committed to bringing the games to Britain, organisers of the bid said yesterday.

THE BRITISH OLYMPIC BID · MANCHESTER 2000

The Duke of Westminster, who is leading the city's bid, said companies were ready to support Manchester as the site for the summer games. The Duke is chairman of the north-west business leadership team, which is made up of 24 leading companies in the region including Amec, Coats Viyella, Pilkington, Littlewoods, Kellogg, Granada TV, Manchester Airport and the Johnson Group.

Recession hits consultancy

The spectacular recent growth in UK management consultancy fees came to an abrupt end last year, according to figures released by the Management Consultancies Association, whose 33 members include the largest UK firms.

The Association reported that its members' fee income grew by just four per cent in 1991 to £843m from £810m the previous year. The new figures demonstrate that after three years when the average growth has been around 30 per cent a year, real growth came to a virtual standstill last year.

Asylum policy under attack

Mr Kenneth Baker, the home secretary, has accused Labour of planning to relax rules preventing overseas nationals resident in Britain from marrying to pass on UK citizenship rights.

Discussing the government's new Asylum Bill, which will introduce new restrictions on right-of-entry to the UK, Mr Baker forecast a "very substantial" rise in would-be spouses seeking entry if Labour changed the criteria used by immigration officers.

Mr Roy Hattersley, his Labour rival, insisted Labour would introduce objective criteria for entry application.

Tax staff 'prefer Labour'

Fewer than one in three staff in tax offices say they will vote for the Conservative party at the coming election, according to a survey by the Inland Revenue Staff Federation. Some 45 per cent of a 1,000-member poll, carried out by Mori, said they would vote Labour, 31 per cent Conservative and 19 per cent Liberal Democrat.

LIFESTYLE AND SPENDING HABITS 1981-91

British save for a safer tomorrow

By Gary Mead, Marketing Correspondent

THE average British household is 20 per cent richer in real terms than ten years ago and potential individual wealth – calculated by saleable assets – has soared more than 200 per cent over the same period, according to a survey of lifestyle and spending habits over the last decade by Mintel, the international market research group.

Not only have the British become wealthier on average, they also spend a greater proportion of their income than in 1981.

Total UK consumer spending was some £376.5bn in 1991, a 26 per cent increase in real terms on 1981. Savings as a proportion of income dropped to 7.5 per cent by 1991, against 13.1 per cent in 1981, as people turned towards greater debt repayments.

Much of that increased spending now goes towards insurance and pensions, which accounted for just £3.9bn in 1981 but had risen to more than £17bn by last year. Sickness and accident insurance has grown almost five times in cash terms since 1981.

Mintel's report also identifies trends which it expects to alter the nature of consumer spending in the current decade. While the number of households is likely to increase from 22.7m in 1991 to more than 24m by 2001, average household size will probably fall from 2.5 to 2.3 people. Single person households are predicted to increase to 6.8m by 2001, compared with 4.6m in 1981 and 5.9m in 1991.

The study suggests that the household services market has been one boom area in the last decade, growing by almost 450 per cent and now worth some £2.9bn; by 1996 it may be worth some £5.5bn according to Mintel.

Britain also appears to be turning into a nation of restaurant lovers; in 1991 spending on food for consumption in the home was was £42.56bn, a decline as a proportion of total expenditure from 15 per cent 10 years ago to 11 per cent last year.

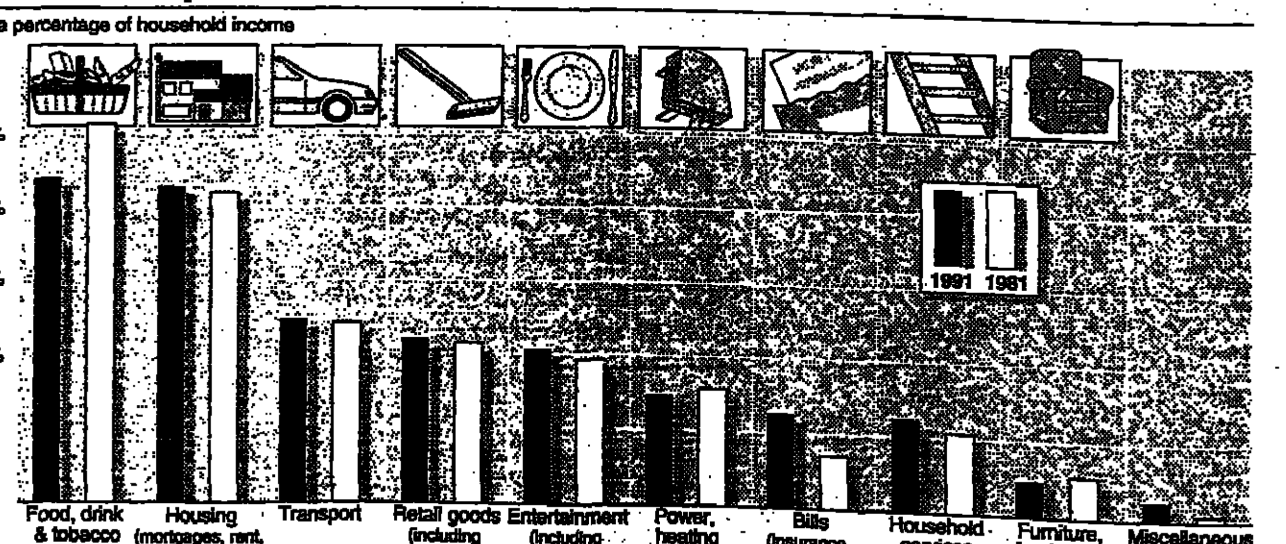
In real terms total food expenditure increased by 8 per cent in the decade. At the same time, spending on eating out has annually grown by 4 per cent; Britons now spend some £13.7bn a year in restaurants of all types.

While Britons have spent an average of 3 per cent a year more on holidays over the last decade, the record, tape and musical instruments business has been the fastest growing leisure sector, at 12 per cent a year. The losing sector is clearly tobacco products, whose sales have declined by an average annual rate of almost 3 per cent since 1981.

British Lifestyles 1992, Mintel, 18-19 Long Lane, London EC1A 9HE. £895.

Household expenditure

As a percentage of household income



Source : Mintel

MANAGEMENT

The multinational myth explodes

Christopher Lorenz investigates a controversial theory which sets out to re-write conventional wisdom

Managers and politicians take note. The term "multinational company" has become so embedded in our business language over the last 30 years that few people now question what it signifies. But they should, for it is either meaningless, misleading, or both.

You can certainly forget everything you have read about the emergence of "stateless" corporations with their activities spread in balanced fashion across a "borderless world". Contrary to the new conventional wisdom, such enterprises do not exist: with a handful of exceptions, so-called "multinational", "global" and "transnational" companies are merely national entities with foreign operations.

This is the controversial thesis of Yao-Su Hu, an ex-World Bank economist who combines his vice-presidency of a Hong Kong college with visiting professorships at Sussex University and Henley.

In arguing his case, Hu may be stretching a point or two. He also makes a few factual errors. But, in direction if not in degree, his argument is closer to the truth than most "multinational" companies would admit.

Writing in the issue of the California Management Review which is about to be published, Hu argues that there are precious few real multinationals. At the very furthest stretch of his definition, they include ICI, Nestlé, ABB, Shell and Unilever – though he says the last three should be classed as "binational". Hu's argument has several strands.

● Geographic spread and scope. Most so-called multinationals – such as General Motors, Du Pont, and US General Electric – have less than half their operations and employees abroad. The only ones which do are British companies such as ICI, plus some from smaller European nations.

But, just as home country economics and politics are of overwhelming importance to GM and co, so they are to ICI: the company "owes more loyalty" to the UK than to any other country. ICI's case is typical of most "multinationals", claims Hu.

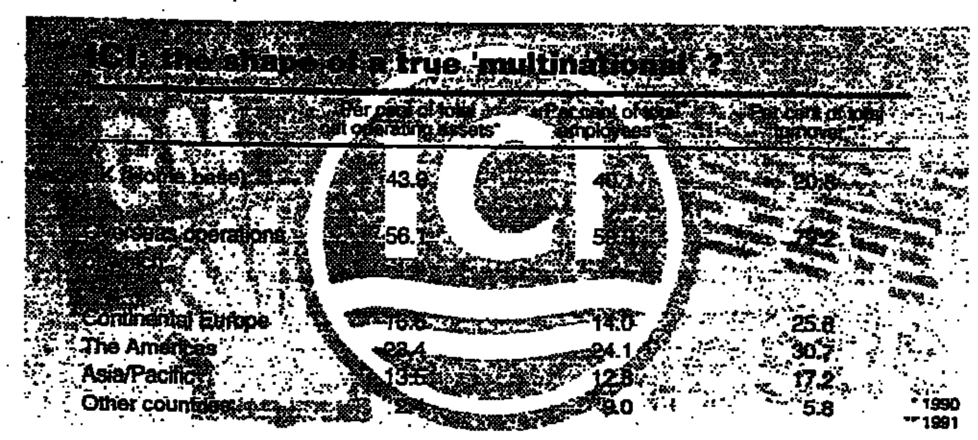
● Ownership and control. At the level of the parent company, these remain heavily national (or binational), rather than multinational – however much the company may strive to attract foreign shareholders and stress "good citizenship" within its various host nations.

● People. Foreigners usually occupy a "miniscule" fraction of the most senior positions in top management – much lower than the percentage of foreigners in the total number of employees. The national character of top management is especially pronounced in Japanese companies.

● Legal nationality and taxation. In law, there is no such thing as a multinational or global company. So the multinational is exposed to many jurisdictions around the world. But it usually has a home government and a home tax authority – that is, a legal and a fiscal nationality that matter to it more than others. In many cases, the home government can choose to tax it on its worldwide earnings.

Hu then assesses the various implications of all this.

First, the primary source of a company's international competitive advantage lies in its home nation, he argues. Foreign sources can supplement national ones but not replace them. Even Nestlé, with 95 per cent or more of its assets and employees outside Switzerland, gains considerable advantage from being perceived as Swiss.



Moreover, most "multinationals" for which data is available do the bulk of their research and development in the home nation: both IBM and Du Pont, for example, have a higher proportion of R&D personnel at home than their domestic ratio of total employees and assets.

The nation where the bulk of a company's R&D takes place is where strategic and integrated decisions can be taken rapidly, Hu says. It is its "locomotive".

Second, Hu concludes that his analysis demolishes Robert Reich's highly influential "Who is Us?" article in the Harvard Business Review two years ago. This claimed that foreign (especially Japanese) companies which undertake manufacturing in the US – and, in some cases research, design and development as well – may be more "American" than American companies with international operations.

In this part of his argument, Hu is certainly correct. On the other hand, he vastly underrates the significance to a company, and to the nations concerned, of a divisional headquarters being transferred away from the home base.

Where that division is given a global mandate, the parent company – or at least part of it – does justify the epithet "transnational" that has begun to be applied to it. IBM, Unilever, and ABB can all rightly claim this status.

Nor does Hu recognise that a few companies are starting at least to try to disperse various corporate head office activities around the world.

This trend, albeit nascent, is another way of becoming "transnational". Hu also underestimates the growing proportion of non-home nation managers at senior levels in many multinationals, especially European ones but also some American.

The article contains a few erroneous assertions, such as that multinationals almost always account internally in their home currency and that the citizens and institutions of host nations cannot participate directly in the ownership of multinationals' local subsidiaries. (What about Shell's many local minority stakes around the world?).

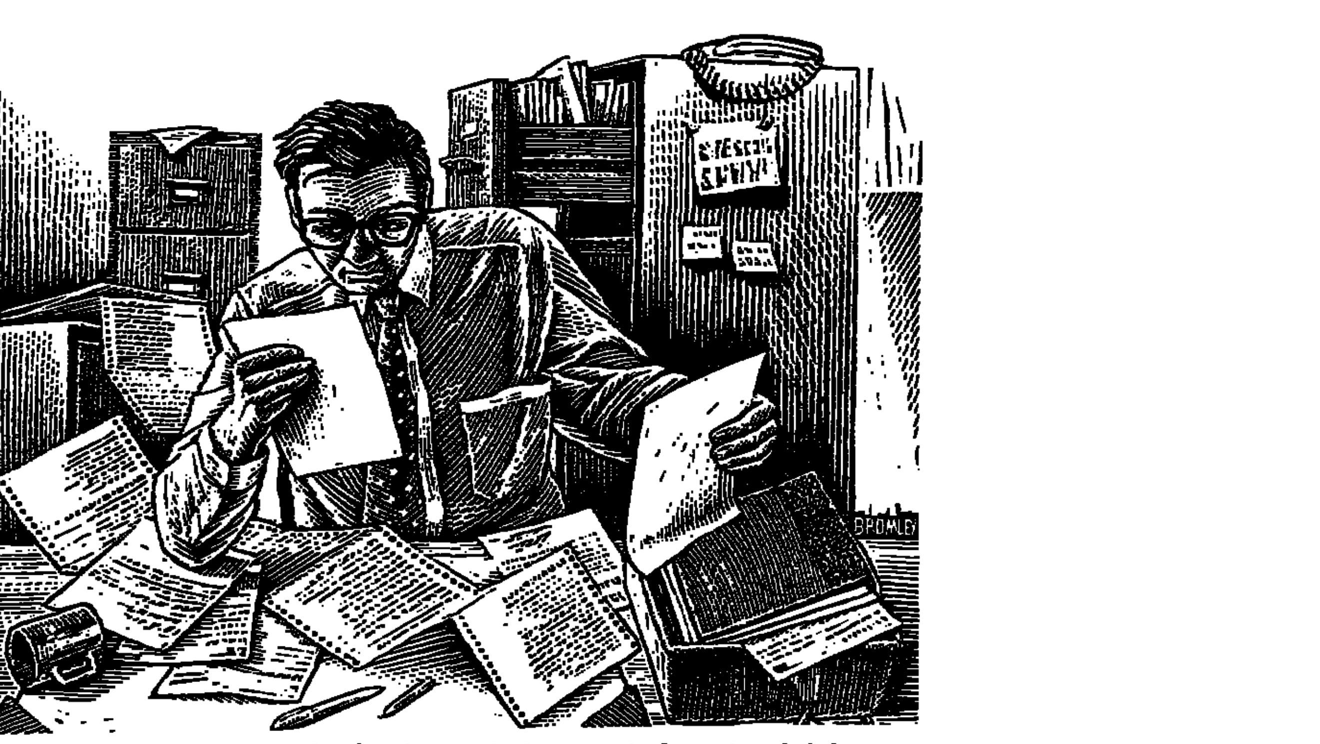
But, apart from such deviations, and the tone of exaggeration that runs through his article (just like Reich's), Hu's basic drift is correct.

An image of multinationalism, globalism or "borderlessness" can do wonders for a company's public relations, especially for an emergent Japanese enterprise faced with western suspicion. But there is almost always less to the image than meets the eye.

The substance may gradually catch up with the image, but only over the next 30 years. Meanwhile, Hu has his feet reasonably well rooted in today's reality. By comparison, Reich is a hopeful time traveller trying to shift the distant future into the present.

Cleaning up your act at work

Lucy Kellaway discovers a more effective way to shuffle her papers



When you get to the office in the morning, do you make yourself a cup of coffee and start sorting through a pile of papers? "I must ring X about that and I'll sort that one out later." There are papers on your desk and more on the floor.

In your drawer, along with an umbrella and a tin of shoe polish there are more papers, but the important fax you were sent yesterday seems to have disappeared.

It sounds like you do not know how to work. You are in good company. Inefficiency is rife at all levels.

According to the OECD, productivity of white collar workers barely changed in the 1980s despite the introduction of computers, while that of factory workers rose by 75 per cent.

People are trained to do every other aspect of their jobs, but when it comes to organising themselves they are usually left to their own devices. Changing bad habits is not easy, but it is possible, according to Jay Hurwitz of the Institute for Business Technology. His training company claims to have made 40,000 office workers more productive using what is grandly described as a "Personal Efficiency Programme."

Its ideas are so simple it is hard to believe that people pay good money for them.

DO IT NOW

The PEP golden rule and a principle that even the most inefficient person knows to be a good one.

However, simply saying those three words is one thing, living by them is another. PEP graduates have impressed on them that if they Do It Now they will

● Handle things only once and so save time

● Have fewer distractions and concentrate better

● Catch problems while they are small

● Not have to worry about not doing things or waste time explaining to others why you have not done so.

Once this has really sunk home, you can move to the next principle

GET RID OF CLUTTER

● Clear out all your drawers and files. With each piece of paper ask yourself: have I ever used it and do I reasonably expect to use it? If I throw it away, and unexpectedly need it, will I be able to get another copy?

● Create a "reference" filing system for papers that pass this test, and another "archive" for things that you do not need, but have to keep for statutory reasons.

● Set up tree trays on your desk: In, Out and Pending. The last is not for things that have been put off, but those that cannot yet be completed.

● Use the middle drawer in your desk – or somewhere else close at hand – for all current work. Divide the work into different projects, each in its own folder.

● Make sure that you have all the other things you need – from telephone directories to paper clips – to hand.

PLAN YOUR DAY

● Don't let yourself be a slave to the in-tray. According to some recent US studies, managers receive five times as much information as they actually need. Managers waste too much time reading unnecessary material and clog up their filing systems with the rest.

● Set up a new filing system for every day of the coming month. It should contain all the relevant papers for that day's meetings and details of delegated work that is due to be finished on that day. That way you do not have to clog up your mind with things to remember.

● Make yourself a realistic plan for the day-week of priorities for work, and mark yourself off against them.

● Delegate more. According to Hurwitz, most bosses spend 20 per cent of their valuable time doing things that could be equally well done by their secretaries.

● Do not agree to meetings that are not likely to be useful to you, or that will make it harder for you to meet your own targets for the week.

It is all easily said. But it seems habits can only be changed under duress. The PEP team stand over each employee, breathing down their necks, to make sure they really are throwing away the contents of their drawers.

One man had 20 cardboard boxes in his office containing the papers from previous jobs. Persuading him to throw them out "took three days and was a very painful experience for that individual", says Hurwitz.

The trainers go back after a few weeks and then after a few months to keep the pressure on. Each time they draw up a written contract against which to mark the employee. But does it last? "There is some slippage, but they do not ever go back to where they started from," says Hurwitz.

As for me, I was planning to clear out my desk drawers after my conversation with Hurwitz, but I have not got round to it yet.

FT LAW REPORTS

Rates swap case goes to Scotland

KLEINWORT BENSON LTD v CITY OF GLASGOW DISTRICT COUNCIL.
BARCLAYS BANK PLC v CITY OF GLASGOW DISTRICT COUNCIL
Queen's Bench Division (Commercial Court): Mr Justice Hirst: February 27 1992

A CLAIM against a person domiciled in Scotland for restitution of monies paid under a contract which is null and void, cannot be heard by English courts in that it is not a "matter relating to a contract" within the meaning of the 1968 Brussels Convention, and does not come within any of the matters giving rise to a special jurisdiction to hear the case other than in that part of the UK in which the defendant is domiciled.

Mr Justice Hirst so held when giving judgment for the defendant, the City of Glasgow District Council, on its applications to dismiss actions brought against it by the plaintiff banks, Kleinwort Benson Limited and Barclays Bank plc, for lack of jurisdiction.

HIS LORDSHIP said that Glasgow was sued in two separate actions by Barclays and Kleinwort Benson for £389,431 and £807,230 respectively, in relation to sums paid under interest rate swap agreements.

Following on the House of Lords decision in *Hazell v Hammersmith and Fulham [1991] 2 WLR 372* that all such transactions were outside the powers of the local authorities and void *ab initio* [from the beginning], the banks claimed return of the sums on a restitutionary basis.

On the present summonses, Glasgow sought declarations that the court had no jurisdiction over it in respect of the claims, and asked that the actions be dismissed.

The two actions came within the Jurisdiction and Judgments Convention 1968 (the Brussels Convention), which concerned "civil and commercial matters".

Article 2 of Schedule 4 to the Civil Jurisdiction and Judgments Act 1982 provided that persons domiciled in a part of the UK should be sued in the courts of that part.

On the face of it, Glasgow must be sued in Scotland. The banks could only sue in England if they could bring themselves within the special jurisdiction laid down in articles 5 and 6 of Schedule 4.

Article 5(1) provided that a person domiciled in part of the UK might be sued in another part "in matters relating to a contract, in the courts for the place of performance of the obligation in question".

Mr Tecks for Glasgow submitted that as the House of Lords had ruled there was no contract, the restitutionary claims could not be classified as "matters relating to a contract".

Mr Beazley submitted that the claims did concern matters relating to a contract, since the court was determining the consequences of nullity of the contracts.

He relied *inter alia* on article 10(1) of the 1980 Rome Convention on the Law applicable to Contractual Obligations, which provided that the law applicable to a contract should govern "(e) the consequences of nullity of the contract".

The House of Lords having held that the swap transactions were void *ab initio*, the suggestion that the restitutionary claims were matters relating to a contract, placed a severe strain on the language of article 5(1).

There was nothing in the cases to support such a conclusion (see *Peters v ZNAV [1983] ECR 987* and *Arcado v Haviland [1988] 3 ECR 1539*). They were consistent with a proposition by Mr Tecks for Glasgow that there must be either a contractual relationship giving rise to actual contractual obligations, or a consensual obligation similar to contract giving rise to a comparable obligation, for the case to fall within article 5(1).

So far as the Rome Convention was concerned, it was legitimate and appropriate to take its provisions into account in construing article 5(1).

However, it could not properly be treated as determinative of the construction of article 5(1). Moreover, the court was entitled in construing Schedule 4, to take into account the fact that the UK had derogated from the Rome Convention by excluding article 10(1)(e) from UK law.

The banks failed to bring themselves within article 5(1).

Article 5(3) of Schedule 4 provided that a person domiciled in a part of the UK might be sued in another part "in matters relating to tort, delict or quasi-delict, in the courts of the place where the harmful event occurred..."

In *Kalfelis v Schroder [1985] ECR 5565*, in paragraphs 17 and 18 of its decision, the European Court said that matters relating to tort, delict or quasi-delict within article 5(3) covered "all actions which seek to establish the liability of a defendant and which are not related to a contract within the meaning of article 5(1)".

In paragraph 19 it said "a court which has jurisdiction under article 5(3) over an action based on tort or delict "does not have jurisdiction over that action in so far as it is not so based". And in paragraph 20 it said "a plaintiff is always entitled to bring his action in its entirety before the courts for the domicil of the defendant".

Mr Beazley submitted that paragraphs 17 and 18 were conclusive in his favour. He said article 5(1) and (3) were to be construed as mutually exclusive but as all-embracing so far as actions to establish the defendants' "liability" were concerned (apart from article 5(1) cases, and provided that the harmful event occurred in the relevant jurisdiction).

That interpretation of *Kalfelis* was not accepted.

The judgment must be read as a whole. Paragraphs 19 and 20 were completely inconsistent with Mr Beazley's construction. If he were right article 5(3) would become a "catch-all" provision and liability not based on tort, delict or quasi-delict would fall within it, notwithstanding the explicit statement to the contrary in paragraph 19.

The word "liability" in paragraphs 17 and 18 must be interpreted as connoting liability within the scope of the article 5(3) categories, that is, in tort, delict or quasi-delict.

The banks failed to bring their case within article 5(3).

Article 6(1) of Schedule 4 provided that a person domiciled in part of the UK might be sued in another part "where he is one of a number of defendants, in the courts for the place where any one of them is domiciled".

In *Kalfelis*, the European Court said article 6(1) applied where it was "expedient" to hear the actions together "to avoid the risk of irreconcilable judgments resulting from separate proceedings".

In the rate swap litigation, there was a very large number of separate actions, in all of which banks were plaintiffs and in nearly all of which English local authorities were defendants.

They were not combined in a single trial, but were regulated by court order so that certain cases should be lead actions, and the others stayed.

As at present, there would be two separate lead action trials. Selection of the lead cases aimed to ensure that the majority of the points of law in issue in all the cases were authoritatively decided, and it was hoped that clear guidance would be given to the remaining cases, leading to settlements and avoidance of multiplicity of litigation.

The lead cases were not strictly test cases. There might well be individual issues arising in some of the other cases that would still need to be litigated.

The court was not satisfied that there was a risk of irreconcilable decisions.

There was no question of conflicting decisions on the common issues of fact.

So far as issues of law were concerned it was almost inevitable that those cases, in view of the very difficult legal problems and the very large sums of money at stake, would proceed in the end to the highest court. Thus, even if there were a prospect of irreconcilable decisions at first instance or on appeal, the House of Lords would be able to give one single decision which would be binding in both England and Scotland, with no possibility of irreconcilability.

The banks failed to bring themselves within article 6(1).

Article 5(8)(b) of Schedule 4 provided that a person domiciled in part of the UK might be sued in another part, in proceedings to assert rights in moveable property, "in the courts of the part ... in which the property is situated".

To come within that paragraph Mr Beazley must have an arguable case that the property the banks sought to trace was situated in England.

Glasgow's evidence was that it held its funds with a Scottish bank in Glasgow.

The court accepted that evidence. There was no arguable case that the monies sought to be traced were now situated in England.

The banks were unable to bring themselves within article 5(8).

The banks having failed to bring themselves within any of the special jurisdictions laid down in articles 5 or 6, article 2 prevailed. Glasgow must be sued in its court of domicil, in Scotland.

For the banks: Thomas Beazley (Clifford Chance, and Linklaters & Paines).

For Glasgow: Jonathan Tecks (William Sturges & Co).

Rachel Davies
Barrister

BUSINESS AND THE ENVIRONMENT

PCBs under attack

Plant enzymes offer a new prospect for getting rid of toxic polychlorinated biphenyls (PCBs), which are some of the most pernicious pollutants made by man.

Several million kilogrammes of PCBs have been released into the environment over the last few decades, through a wide range of industrial activities from solvent recovery to hydraulic fluid manufacturing. They are so toxic that land contaminated by them is unsuited for any other activity – even landfill.

PCBs are chemically very stable organo-chlorine compounds. The conventional method of getting rid of them is high-temperature incineration, an expensive process (costing £2,000 per tonne of soil) which may itself give rise to toxic fumes.

As a cheaper and safer alternative, scientists hope to exploit biotechnology to detoxify PCBs.

A technique developed by Plant Science Limited (PSL), a company based at Sheffield University in the north of England, uses novel peroxidase enzymes derived from plant cell cultures. The effect of the enzymes is to polymerise the PCBs; the individual molecules are linked together into a non-toxic polymer which can be filtered off and disposed of by burial or incineration.

General Electric of the US is pioneering a different approach to clean up the Hudson River in New York, which has been contaminated by its manufacturing operations. It uses live bacteria to break down PCBs.

But Mike Fowler, PSL research director, says enzymes are a "cleaner and more surgical approach" – and a much better commercial prospect. "One of the beauties of using enzymes rather than micro-organisms is that peroxidases are stable in the presence of solvents which might kill micro-organisms," he says.

PSL is collaborating with Graesser-Biotechna, a London company specialising in anti-pollution technologies, to commercialise the enzyme-based process. A field trial is planned for later this year.

Clive Cookson

Who is responsible for the pollution caused by abandoned mines, asks **John Hunt**

Heads down

Pollution from the Wheal Jane tin mine in Cornwall – where 80m gallons of water contaminated with toxic metals spewed into the River Carnon for several weeks – has highlighted the environmental problems caused by abandoned mines.

The National Rivers Authority, the UK's pollution watchdog for rivers, is worried about the dozens of abandoned coal mines where rising waters in the old workings are polluting rivers in South Wales and Yorkshire.

The NRA says that in Yorkshire there are 36 significant discharges from disused coal workings causing serious pollution to 40 kilometres of river.

The capital cost of treating the 10 most serious discharges in Yorkshire is estimated to be more than £10m. In addition, there would be substantial operating costs. The question of who pays "remains to be determined" says the NRA.

Pollution at Wheal Jane turned the river and the estuary leading up to Falmouth a rusty red, halting water sports and endangering oyster beds and fish.

The NRA has been carrying out the clean-up and working on long-term solutions for preventing a recurrence. The cost of these operations is expected to be in excess of £1m – some estimates put it at £3m.

Although the NRA works on the principle that "the polluter pays", it seems impossible to apply it in incidents of this kind.

The Water Resources Act of 1991 says that those responsible for polluting rivers can be prosecuted and the NRA can recover from the polluter the costs of cleaning up.

But abandoned mines are specifically exempted from the clause. The Department of the Environment says that this is because many of them are so ancient that it would be impossible to discover the original owners.

There is also the difficulty in proving that the water comes from a specific mine. These areas are usually riddled with old workings and the flood waters may mingle to come out at one point.

Environmentalists are pressing for the law to be changed and companies which abandon mines made liable for pollution from them. Liana Stupples, water campaigner for Friends of the Earth, says there is a "yawning gap" in the law.

Such a change would make life difficult for British Coal. It would mean a heavy financial liability which could deter investors if, as promised, British Coal is privatised by a Conservative administration after the upcoming general election.

As long ago as 1981 the Royal Commission on Coal and the Environment, the Flowers Report, recommended that the costs of remedial action for existing mines abandoned by the National Coal Board (the predecessor of British Coal) be met by central government. But it said that the costs of pollution from any coal mines abandoned in the future should be met by the Coal Board.

The all-party Welsh Affairs Committee of the House of Commons has just started a new investigation into the problem in South Wales where more than a dozen abandoned coal mines are causing pollution. The Welsh Region of the National Rivers Authority is carrying out a two-year study costing £100,000 which is funded jointly with the BOC Foundation for the Environment and Community.

It will examine the River Pelena in West Glamorgan, the main tributary of the River Afan which flows into Swansea Bay at Port Talbot. The aim is to find "the best and most simple way of preventing the polluted water from killing our rivers".

David Walker, the NRA's environment and quality manager for Wales, says that acidic discharges from old coal mines contain high concentrations of dissolved iron.

"A clear stream can turn a vivid orange and the bed coated with iron oxides stifling life and rendering it almost fishless," he says.

Gareth Wardell, Labour MP for Gower and chairman of the Welsh Affairs Committee, said the situation is "very, very bad" and that the pollution could change the entire ecology along the rivers. "There is no doubt that the law has to be changed," he said.

The foundation, established by BOC with £1m to help clean up pollution, is also sponsoring research into coal mine pollution on the Little Don river near Sheffield.

There have been numerous public complaints and trout have been killed in some Yorkshire rivers. The problem is most severe in the River Calder near Tormoden, in the Don and Little Don near Sheffield and the Rother and its tributaries near Chesterfield.

At the Wheal Jane abandoned tin mine the polluted water has been controlled and is being pumped out into a dam for treatment. So far the NRA has spent £100,000 containing the incident.

Carnon Consolidated, which bought the mine from RTZ in a management buyout, made a loss in 1990 but broke even in 1991. It is not in a position to pay big bills and, in any event, denies liability.

There are about 50 other old tin mines in the Carnon Valley area and water from them could have come out through the Wheal Jane outlet.

"I do not feel we should pay for the clean up," says Kevin Ross, managing director of Carnon Consolidated. "I do not accept that we are responsible for a history which has left us with all the other old tin mines. We are not flush with cash but we will do whatever is within our capacity to help."

Peter Maxted, local spokesman for Friends of the Earth, says the flooding at Wheal Jane was a tragic accident which should never have happened. FoE and other local organisations are pressing for a public inquiry.

"It is very frightening," said Doris Ansari, Truro's Liberal Democrat councillor on Cornwall County Council. "We do not know what the long-term effects will be."

Colin Beere

Kevin Ross: 'I do not feel we should pay for the clean-up'

'A clear stream can turn a vivid orange and the bed coated with iron oxides stifling life and rendering it almost fishless'

URBAN AIR POLLUTION

Clear skies through long-term vision

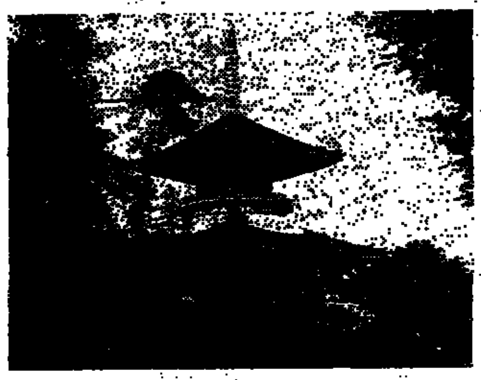
Steven Butler looks at Tokyo's example

MOSS may not gather on rolling stones but it is growing in Tokyo's parks again. When scientists at Tokyo's Metropolitan Research Institute for Environmental Protection looked for this essential component of Japanese gardens 20 years ago, they found none.

Following drastic cuts in sulphur dioxide levels in Tokyo air since the last survey, the fuzzy green stuff is once again gracing trees throughout the city. The density of sulphur dioxide, one of worst air pollutants, is less than an eighth of its 1966 peak. "In Tokyo we have virtually solved the problem," says Noburu Yoshino, chief of automobile pollution with the Tokyo metropolitan government.

None the less, the levels of particulate matter, nitrogen oxides and ozone remain unacceptably high. Walking on the pavement of a congested Tokyo street is more pleasant than in London, for example, but no one ought to breathe too deeply.

Tokyo's air pollution crisis was a product of the density of population and industrial plant in the Tokyo area combined with the breakneck pace of economic development during the 1960s. Japan was determined to put post-war poverty behind, and industrial growth was pursued with little regard for side effects, such as environmental degradation.



By the late 1960s, however, a public backlash had gathered strength at a time when the ruling Liberal Democratic Party was losing electoral support. A consensus developed that something had to be done.

The first target was sulphur emissions, caused primarily by industry. In 1970 the government announced a drastic reduction in the level of sulphur permitted in fuel. The new limit was 0.5 per cent, compared with three to four per cent in imported crude oil.

The government's next target was carbon monoxide, an important component of automobile exhaust. The Japanese government required that all new cars sold in Japan from 1975 be fitted with catalytic converters. The devices removed 95 per cent of carbon monoxide from exhaust.

Use of catalytic converters also led to the gradual introduction of lead-free petrol, since lead fouls the catalyst. Nearly 100 per cent of petrol sold in Japan is now unleaded. Although reducing atmospheric lead was never a principal goal, this has been a welcome side effect.

Sulphur and carbon monoxide, however, were the easy steps. From here the going will be considerably tougher.

● Suspended particulate matter: The concentration of suspended particulate matter (mainly dust and soot) in the air fell sharply in the late 1970s, but has since remained high. The initial decline was a result in part of switching from heavy fuel oil to gas oil and natural gas. In addition, the government required electrostatic precipitators to be installed on smokestacks where particulate matter is a problem.

Further progress will be difficult and expensive. Yoshino says that 30 per cent of the problem is from nature, and cannot be controlled. Another 30 per cent of particulate matter is generated by chemical reactions of other pollutants, such as nitrogen and sulphuric acids. Some 20 to 30 per cent of the total is caused by the carbon particles from diesel fuel.

● NOx: The level of nitrogen oxides in Tokyo's air has remained stubbornly high since the late 1960s. While the government has fixed a target of reducing NOx by 50 per cent in 10 years, it has no concrete method of achieving this. "We are depending on a technological breakthrough," says Yoshino. This could be a new catalyst, which car companies the world over are researching, use of methanol engines or electrically-powered cars.

● Ozone: Photochemical oxidants, experienced as urban smog, are also an enduring problem that is occasionally severe enough for the city government to order some plants to cease operating.

Barring an unforeseen technical breakthrough, significant progress on particulate matter, NOx and ozone is difficult to imagine without a reduction in the activities, particularly automobile traffic, that cause them. For Tokyo, however, this is especially hard to engineer. The city already has superb public transportation, so there is little hope of coaxing more commuters out of cars by offering a better alternative.

Road pricing schemes look especially hard to implement because traffic congestion is spread over a huge area, rather than in the centre of the city. Much of the diesel fuel is also consumed by delivery trucks, which are the economic lifeline of the city.

Further progress is likely to come slowly, if at all. In the meantime, city residents can console themselves that at least the moss does not seem to mind.

Next week's article will focus on Athens.

ARTS

Margaret Price

QUEEN ELIZABETH HALL

The years continue to pass without Margaret Price receiving the royal honour that is her due. It may be that the criteria by which these decisions are made cannot be divulged, but it is starting to look as though a career largely furthered and celebrated across Europe is no substitute for a more insular popularity at home.

On Friday the singer was in London for a recital at the Queen Elizabeth Hall. The programme was all German song, Schumann and Brahms, and it only served to emphasise what a European artist Miss Price has become, for there are not many native German-speakers who sing Lieder as eloquently at the moment; and there have been precious few British singers to equal her in this field at any time.

In Schumann's Kerner Lieder, Op.35, never much loved by audiences for their heavy-weight Teutonic romanticism, she came up against memories of past London interpreters such as Hermann Prey and Dietrich Fischer-Dieskau and radiated a beauty over the music that the others could not match. The songs were taken slowly and, as is her inclination, in too deliberate a manner. But the audience was held.

Above all, one felt for the first time that the songs made sense as a cycle. The feeling of a sun-lit warmth of emotion, at first starting to melt the chill ending of "Frage" and then flooding out through "Stille Tränen", was gloriously handled, both by the soprano and her accompanist, Graham Johnson. This is the way to catch the music's heartbeat and the performance made a deeply moving descent down to the numbed desperation of the ending.

In her Brahms – a selection of eight Volkslieder and the *Zigeunerlieder*, Op.103 – lighter moods predominated. A delicious sentimentality for "Da unten im Tale"; no false attempts at funny voices for the ever-popular "Vergebliches Ständchen". And, always, the purity of the voice and unforced utterance of the German poetry were there to give pleasure. For singing of this quality no further recognition is perhaps necessary.

*

At the other end of the scale, just starting out on a career which one trusts will live up to its initial promise, is the young soprano Alison Buchanan. Still in her early 20s, she appeared on Thursday in the "Young Artists" lunchtime recital series at Covent Garden, coincidentally accompanied by a young pianist, Eugene Asti, who has himself been working with Margaret Price.

It was an enjoyable occasion, not maybe one to burn itself upon the memory, but leaving a feeling of considerable optimism for the future. This is based largely on the beauty and ease of Miss Buchanan's voice. Nothing in a quite adventurous programme seemed to trouble her vocally at all. The tone is attractively warm, beautifully lambent when she sings quietly, a voice born of nature, not of artifice.

She sang her Debussy and Wolf songs with due care for style and language, though not yet quite enough personality. Once into English-language songs by Walton, Copland and Bolcom, the face lit up and so did the words. Her Cole Porter encore about the little oyster was sheer delight: a delicious lunchtime find!

Richard Fairman

TELEVISION

For the chattering classes

On Friday ITV began its six-part Fay Weldon serial *Growing Rich*, about three girls from a small town in East Anglia and their involvement with the devil. Tomorrow Channel 4 begins its adaptation of Mary Wesley's novel *The Camomile Lawn* with a two-hour episode which will be followed by three more, each of 60 minutes, telling the story of three generations of a family, between 1939 and 1984. These are both "prestige" productions, which is to say that well known people are involved, they were expensive to create, the makers will hope for fairly large audiences, the chattering classes are expected to chatter, and there are good prospects of international sales.

Having watched three episodes of *Growing Rich* and the whole of *The Camomile Lawn* I can report that both also offer a high level of entertainment. As we have come to expect from Fay Weldon, certainly since *Life And Loves Of A She Devil* and *The Cloning Of Joanna May* but, to some extent, even before that, much of the pleasure comes from the combination of, and the contrast between, television's familiar naturalism and frequent blasts of the supernatural.

The devil, known as The Driver, is chauffeur to Sir Bernard Bellamy (John Stride) the local Mr Big who, we suspect, must have some sort of Faustian bargain in his background. Since the three girls fail their exams The Driver seems their best bet for getting out of dreary Fenedge, though it is only Carmen, the best looking of the trio, who really deals with him. When thwarted he acts rather pettily, sending swarms of bees to chase the girls and raising great geysers of fire in Carmen's kitchen. Even in a good mood his tricks seem trivial: the head on a door knocker suddenly grows horns, and when Carmen is trying on a revealing dress he enlarges her bust and narrows her waist until she becomes a parody of the voluptuous female.

There are beautifully observed moments, as in this week's episode when the girls go to Sir Bernard's new hotel for job interviews and enter through the front door. Snooty Mrs Haverill, the housekeeper, tells them to use the staff entrance, but Carmen, who noticed Sir Bernard ogling her at the school prize giving, flounces over to a chair and flops down, hoisting her skirt to reveal a lot of leg to Sir B. The short scene that follows, between these three and Sir B's Sloane Ranger fiancée, provides a guided tour of the English class system in about 90 seconds.

There are other pleasures. Martin Kemp who plays The Driver tends to deliver his lines as though he has just learned them, a trait which, if deliberate, is baffling in its intention, but, that aside, the acting is as consistently splendid as we now expect in all of Britain's television drama. We seems to have a bottomless supply of wonderful young actresses, and the three girls here are played by three more virtual unknowns (Rosalind Bennett as Carmen, Claire Hackett as Annie, and Caroline Harker as Laura) who not only give good performances individually, but are also completely convincing as one of those irritating schoolgirl trios that you find in bus queues, talking in code and oblivious to the rest of the world. Moreover the series is continually good to look at, especially in those sections shot in New Zealand where we follow what happens to Annie.

Having said all that, is this anything more than a rather fancy woman's magazine story? Given that one of the central characters is the devil, does it have anything to tell us about good and evil? The narrative is entertaining enough; at least we seem to have left behind those dreary dramas of the 1960s and '70s whose makers appeared to regard story telling as beneath their dignity. But beyond the obvious storyline of *Growing Rich* is there any sort of comment about what it means to be human in 1992? This week it becomes clear that whereas Carmen's brother is assumed by his parents to need an education she is expected to get through life on her looks. This could lead to interesting thoughts about the luck of pretty girls who can choose looks or work as a means of advancement while boys are limited to work – but instead we are left with the familiar tang of feminist dogma.

Whatever the quality of Mary Wesley's novel, Channel 4's dramatisation of *The Camomile Lawn* puts you in mind of an up-market version of one of those Andrea Newman serials in which the main concern, in the end, is how many more sexual pairings can be arranged without credibility disappearing entirely. Will Polly sleep with both the twins? Simultaneously? Will it be Oliver or Tony for whom Calypso first removes her camiknickers? The story is of a family, consisting largely of cousins, who meet as usual for a summer holiday in Cornwall in 1939 at the house with the camomile lawn planted by Aunt Helena (Felicity Kendal). Many of the younger characters then join the armed forces and most of the rest of the action takes place in London during the second world war. It is compelling, almost addictive stuff: after the first hour or so you really do want to know what happens next to these people – *Coronation Street* for Volvo drivers.

After the last 25 years of British television drama it would, I suppose, be quite impossible now to produce anything set in the 1940s which did not feature scrupulously authentic steam trains, vintage motors, enamel hoardings for Players Navy Cut, and Fair Isle pullovers. They are here in the usual quantities, and, under Peter Hall's direction, it was found necessary to fit anti-shatter tape on the windows of not just one house but an entire terrace, so that those white diamonds could be seen in the background of tracking shots. Would that the same dedication had gone into illustrating the way in which the war altered people.

True, the bonk rate gets very high, with affairs arranged rather as they are in the cricket World Cup so that everyone is eventually paired with everyone else. There is not merely the usual bonking in the bedroom but also bonking on the train, bonking on the sofa, bonking in the front hall and even bonking on the camomile. This makes it much more fun than the usual war story in which people are forever being sickeningly violent, but there is precious little attempt to move beyond the exigencies of the plot to make any sort of observation about war or ageing or love or marriage, even though these are the threads on which the tapestry is supposed to be woven.

There are interesting twists: Calypso marries for money, but falls in love with her husband; generations of girls discover that good old Uncle Richard has been putting his hand up their skirts but conclude this isn't "terrible" as one says but boring; and it turns out that even concentration camp survivors can be rather unpleasant people. But without crying out for the over-arching human understanding of a Tolstoy, one is surely entitled to expect something more than such little twists after five hours of drama. It *is* entertaining, it really is, both these serials are, but we know that television is capable of more.

Once again the lit. crit. brigade will smile pityingly and say that mere television can never explore the human mind nor illustrate the human condition with the subtlety, expressiveness, or precision of print. But those of us who watched Dennis Potter's *Singing Detective* know that television can, indeed, penetrate and map that internal landscape of the mind which was once sole territory of the novel. And anyone who saw the whole of Kieslowski's marvellous *Ten Commandments* realises that television can talk to us with tremendous power about the human condition.

Growing Rich and *The Camomile Lawn* are two highly entertaining serials but it is surely not unreasonable to ask for a little more ambition from television drama departments.

Christopher Dunkley

Addictive stuff: Claire Hackett, Caroline Harker and Rosalind Bennett in 'Growing Rich'; and Felicity Kendal and Paul Eddington in 'The Camomile Lawn'

Alastair Muir

Cyril Ikechukwu Nri (top) and Akim Mogaji

The Road

THE COCHRANE THEATRE

The black Talawa Theatre Company has taken up long-term residence at what we used to know as the Jeannetta Cochrane, now brightly refurbished by a Nigerian architect. Talawa's most recent successes have been in Wilde and Shakespeare, but understandably they have chosen an African play for their housewarming. Not that they play Wole Soyinka's piece (first seen in 1965 at Stratford East) as to the manner born, exactly – there are almost as many different black English accents to be heard as there are actors.

The Road is meant to be played out "on the edge of a Lagos motor park". Sue Bayes has set it on and among stately heaps of wrecked cars – the Arrabal echo is apt – stacked two and three deep, which immediately fix one theme of the play: that on this road, nobody is going anywhere much. At the rear a handsome arch of stained-glass, suggesting the Christian church that haunts the "Professor"'s mind, is composed of shattered windscreens. There is indeed scarcely any real action, but any amount of colourful byplay, and the car heaps provide ideal springboards for strutting, menacing, leaping and posing, rapid vanishings and reappearances. (The upward hops from ground to car-roofs are particularly impressive.)

As directed by Yvonne Brewster, the acting is extrovert and physical above all. The mostly low-life characters have the sharpness of 3-D cartoons: the central pair of no-hopers Samson (Cyril Ikechukwu Nri) and Kotonu, who has gone off being a hired driver (Willie Jonah), the charismatic, obsessive "Professor" (Ben Thomas with elegant spectacles, watch-chain, shooting-stick and stage-British diction) who has a nice little earner in driver's licence forgery, the American sheriff-style police chief (Gregory Munroe) in cahoots, the wide-boy Say Tokyo Kid (David Webber). Steve Ashton, Lenny Algernon Edwards and Akim Mogaji offer vivid silhouettes, too.

In fact this crew recalls Kurosawa's version of *The Lower Depths*, and even O'Neill's *The Iceman Cometh*. Almost everybody projects an image with hopeful, hopeless braggadocio – but nobody believes anybody else. Current folklore has it that Nigerian social intercourse runs on just such funny terms; that may be a myth, but Soyinka illustrates it with bitter, satirical conviction. He does it, however, in language that runs the gamut between what seems to be pungent Nigerian English and his own extravaganzas upon it: polysyllabic, impacted and gnomic.

As delivered in all these tantalising dialects, too much of it was impenetrable. For most of the audience, understanding two lines out of three in the first hour or so would have been better than par for the course. Probably we missed flashes of individual character beyond the cartoons; certainly the motor of the play, the Professor's mad, visionary drive toward a blasphemous ceremony which leaves everyone shaken and horrified, revolved in profound obscurity. Though the dramatic rhythm was persuasive enough, we needed – well, subtitles.

David Murray

Jan Garbarek Group

ROYAL FESTIVAL HALL

That Jan Garbarek's best selling album, "I took up the runes" (ECM 1419/New Note), says much about his recent playing and writing. One of the German label's most popular artists, the saxophonist's mistily evocative music is currently spreading around the UK as part of the newly launched Silk Cut City jazz programme.

His group looks and sounds a splendidly Norse affair, as befits the material. Beside the ascetic form of black-suited Garbarek sits Eberhard Weber, flaxen hair falling around his electro-bass contraption. Marilyn Mazur, from Denmark and previously heard with Miles Davis and Wayne Shorter, stands in the middle of a mixture of exotic percussion and conventional kit performing an elfin dance. The round, bald, yet otherwise hirsute head of Rainer Bruninghaus peers out from behind the keyboards which provide the chilly soundscape.

The trademark plaintiveness of Garbarek's own playing cuts this melancholic accompaniment through, simple hummable melodies ebbing and flowing between stark improvisation. With the thematic material of "Runes", which quotes Nordic folk tales or *joiks*, he switches easily from swirling drama on tenor to persuasive and snaking lamentation on soprano. Garbarek might not improvise in the conventional jazz sense, but his shrill solo excursions are a marvellous and integral part of the whole.

Weber, an ECM frontman in his own right, is also a unique soloist: the masterly technique and bass technology summed up to great melancholic effect. Bowed, plucked, whittled and beaten before passing through his box of pedalled tricks, the electro-bass's rich sounds are mesmerising in his hands. Garbarek's arrangements, with their strong melodic undercurrents, are ideal for Weber's romantic and grandiloquent ideas.

Mazur, who replaces Nana Vasconcelos in the original Runes line-up, should simply add to the Scandinavian element but instead brings a curious Eastern feel with her tiny bells and gongs. Her playing has the appearance of musical T'ai Chi as she makes sweeping runs around the cymbals and then suddenly drops to her feet to strike at wood blocks. Bruninghaus, in control of the dynamics with his synth, is a strident soloist at the grand.

If Garbarek's work with this ensemble is designed to send a shiver down the spine it does so pleasurably. It fills the senses with North European tradition, the smell of conifers and wood smoke. One can only wonder at what his next outing on ECM will offer, given that it features musicians from Pakistan.

Garry Booth

INTERNATIONAL ARTS GUIDE

TODAY'S EVENTS

■ BERLIN

Deutsche Oper 19.30 Jiri Kout conducts Gunter Kramer's production of The Makropoulos Case. Tomorrow: Der fliegende Holländer (West Berlin 3410 249)

■ BRUSSELS

Palais des Beaux Arts 20.00 Maurizio Barbacini conducts the Orchestra and Chorus of the Monnaie in a concert performance of Rossini's La donna del lago, with a cast including Katia Ricciarelli, Martine Dupuy and Raul Gimenez, also Sun (219 6341). Tomorrow: Stanislaw Skrowaczewski conducts the Belgian National Orchestra (507 8200)

Théâtre National 20.30 Giovanni Macchia's new play Le Silence de Molière, about Molière's reclusive daughter Madeleine. The cast is led by Dominique Valadie and directed by Jacques Nichet. Daily except Mon till March 14 (217 0303)

■ CHICAGO

Orchestra Hall 19.30 Chadamin Trio plays piano trios by Beethoven, Smetana and Eugene Goossens. Tomorrow, Fri, Sun and next Tues: Erich Leinsdorf conducts the Chicago Symphony (435 6666)

■ DRESDEN

Semperoper 19.00 La bohème, also Mon. Tomorrow: two ballets by Johannes Bönig. Fri: Così fan tutte. Sat and Tues: La Cenerentola with Kathleen Kuhlmann, Raul Gimenez and Eike Wilm Schulte. Sun: Le nozze di Figaro with Olaf Bär (4842 323)

Schauspielhaus 19.00 Grillparzer's play Die Jüdin von Toledo. Tomorrow: Maxim Gorki's Summer Folk. Fri and Sat: The Threepenny Opera. The Kleines Haus has George Tabori's Mein Kampf tomorrow, a stage adaptation of Orwell's Animal Farm on Fri and Chekhov's Uncle Vanya on Sat (4842 429)

■ LONDON

Guildhall School 19.00 Clive Timms conducts first night of Robin Tebbutt's new production of Britten's A Midsummer Night's Dream, designed by Will Hargreaves. Repeated on Fri, also next Mon and Tues (071-638 8891)

Covent Garden 19.00 Jeffrey Tate conducts John Schlesinger's production of Les Contes d'Hoffmann, with a cast including Jerry Hadley, Gregory Yurisich, Jean Rigby, Leontina Vaduva, Anne Howells and Sumi Jo. Tomorrow: Kenneth MacMillan's Manon (071-240 1066)

Coliseum 19.30 Jacek Kaspszyk conducts Jonathan Miller's ENO production of Il barbiere di Siviglia, with Michael Lewis as Figaro and Eirian James as Rosina, also Sat. Tomorrow: Street Scene (071-836 3161)

Royal Festival Hall 19.30 Michael Roll plays Schumann's Piano Concerto and Julian Lloyd Webber is soloist in Saint-Saëns' First Cello Concerto, with the London Mozart Players conducted by Harry Blech. Tomorrow in RFH: Montserrat Caballé. Tomorrow in QEH: Gidon Kremer (071-928 8800)

Barbican 19.45 Charles Groves conducts the London Concert Orchestra and London Choral Society in a programme of operatic excerpts, with soloists Josephine Barstow, David Rendall and Donald Maxwell. Tomorrow: Oliver Knussen conducts the BBCSO (071-638 8891)

■ MILAN

Teatro alla Scala 20.00 Jonathan Miller's production of Manon Lescaut, daily till Sun. Maria Guleghina and Adriana Morelli alternate in the title role (7200 3744)

■ NEW YORK

THEATRE

● Crazy for You: Harry Groener and Jodi Benson star in a musical comedy set in the 1930s, focusing on a banker's son who is sent by his mother to foreclose a theatre and falls in love with the only girl in town. Book by Ken Ludwig, music by Gershwin (Shubert Theater, 225 West 44th St, 239 6200).

● Before It Hits Home: Cheryl West's play centres on what happens to a black family when the spectre of Aids brings home the truth about the jazz musician they love. Runs till March 22 (Public Theater's LuEsther Hall, 425 Lafayette St, 598 7150).

● Ghosts: Ibsen's 1881 classic directed by Robert Brink. Runs till March 14 (Pearl Theater, 125 West 22nd St, 645 7708).

● Macbeth: an adaptation of Shakespeare's play, drawing parallels between the clans of Scotland and the syndicates of 1927 Chicago. Runs till March 16 (Theater-Studio, 750 Eighth Ave, second floor, 719 0500).

● Ticketron answers inquiries and sells tickets for most shows on and off Broadway (246 0102)

MUSIC

Avery Fisher Hall 20.00 Giuseppe Sinopoli conducts the New York Philharmonic Orchestra in Dvořák's Cello Concerto (soloist Heinrich Schiff) and Mahler's Fourth Symphony (soloist June Anderson). Repeated tomorrow, Fri afternoon, Sat and next Tues (875 5030)

Metropolitan Opera 20.00 Nello Santi conducts Rigoletto, with Ruth Ann Swenson, Richard Leech and Leo Nucci. Tomorrow: Don Carlo (362 6000)

■ PARIS

DANCE

Palais Garnier 19.30 Opening night of a short season by the Ballets de Balie daily till Sun. Next week: Paris Opéra Ballet in Picasso et la Danse (4017 3535)

Théâtre de la Ville 20.30 Two choreographies by Claude Brumachon, featuring his recently-founded company from Nantes. Repeated Fri and Sat (4274 2277)

MUSIC

Salle Pleyel 20.00 Das Rheingold: opening of a concert cycle of The Ring conducted by Marek Janowksi, with the Orchestre Philharmonique de Radio France and a cast including James Morris, Ekkehard Wlaschiha, Graham Clark and Hanna Schwarz. Sat: Die Walküre. Next Tues: Siegfried. March 14: Götterdämmerung (4563 0796). Tomorrow in Châtelet: Semyon Bychkov conducts the Orchestre de Paris (4028 2840)

Opéra Bastille 20.00 First night of David Pountney's production of Elektra, conducted by Michael Schoenwandt and designed by John Bury. The cast includes Gabriele Schnaut, Karen Huffstodt and Helga Dernesch. Runs till March 23 (next performance on Sat), with a further series in May (4001 1616)

● A 24-hour recorded telephone guide to Paris entertainments is available in English by dialling 4720 8898

■ PRAGUE

Tonight in the Smetana Hall: Martin Turnovsky conducts the Prague Symphony Orchestra in Beethoven's Fourth Symphony, Martinu's Oboe Concerto (soloist Libena Sequardtova) and Janacek's Sinfonietta (u Prasne brany 2, 232 5858). Tomorrow and Fri: Helmuth Rilling conducts the Czech Philharmonic Orchestra and Prague Philharmonic Choir in the Mass for Rossini, written by various 19th century Italian composers including Verdi. The soloists include Eva Randova and James Wagner (231 9164). For pre-booking and information about other events, contact city centre ticket agencies (Bohemia, Na Prikope 16, 228738, or Melantrich, Wenceslas Square 38, 228714) and theatre box offices.

■ STOCKHOLM

Konserthuset 19.30 James DePriest conducts the Stockholm Philharmonic Orchestra in Gubaidulina's Offertorium (soloist Oleg Krysa) and Saint-Saëns' Organ Symphony (soloist Hans Fagius), repeated tomorrow (244130). Fri in Berwaldhallen: Esa-Pekka Salonen conducts Bartok's Third Piano Concerto (soloist Andras Schiff) and Dallapiccola's one-act opera Il prigioniero (784 1800)

■ VIENNA

Kammeroper 19.30 La bohème: a new German-language production staged by Bruno Stefano and conducted by Conrad Artmüller. The performances tonight and on Sat are previews, with the premiere next Mon. Runs till April 25. The cast includes two British singers: William Mackie as Colline and Andrew Murphy as Schaunard (513 6072)

Staatsoper 19.00 Vaclav Neumann conducts Rusalka. Tomorrow: Il barbiere di Siviglia (51444 2960)

Musikverein 19.30 Hans Graf conducts the Salzburg Mozarteum Orchestra in a programme including Brahms' Double Concerto, with Thomas Zehetmair and Mischa Maisky, repeated tomorrow. In the Brahms-Saal, Marjana Lipovsek gives a Lieder recital (505 8190)

Ronacher 20.00 Cullberg Ballet Stockholm in Mats Ek's production of Swan Lake, also tomorrow. Vienna Dance Festival runs till March 29 (586 1676)

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY

CNN
2000-2030, 2300-2330 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel
0830-0900 (Mon) FT East Europe Report – weekly indepth analysis from FTTV
0830-0900 (Tues) Spiegel TV – Intl Report – *the real world of documentary*
2130-2200 (Tues) Media Europe – what's new in European media business
2130-2200 (Wed) FT Business Weekly – global business report with James Bellini
0830-0900 (Thurs) Media Europe
2130-2200 (Thurs) FT Eastern Europe Report
0830-0900 (Fri) FT Business Weekly
2130-22.00 (Fri) Spiegel TV – Intl Report

Sky News
0130-0200 (Mon), 2130-2200 (Thurs), 0530-0600 (Fri), FT Business Weekly

SATURDAY

CNN
0900-0930 World Business This Week – a joint FT/CNN production
1900-1930 World Business This Week

Super Channel
1930-2000 FT Eastern Europe Report

SUNDAY

CNN
1030-1100, 1800-1830 World Business This Week

Super Channel
1800-1830 FT Business Weekly

Sky News
1330-1400, 2030-2100 FT Business Weekly

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Extra hurdle for Emu

IN PRESSING for the plan for European economic and monetary union (Emu) to be based firmly on price stability and fiscal discipline, the German government and the Bundesbank have done Europe a service. The principles of economic management which have fostered the strength and stability of the D-Mark are the only ones suited to guide the journey towards a single European currency.

The Emu treaty agreed at the Maastricht summit in December does not fulfil all Germany's wishes. But it ensures that the criteria for selecting the countries taking part in Emu, and for operating the system when and if it becomes a reality, will embody the Germans' own standards of financial rectitude. As Chancellor Helmut Kohl keeps pointing out, the legal statute for the mooted European central bank is more unambiguously geared to fighting inflation than the 1957 Bundesbank Law.

Despite these successful features, Maastricht was not a triumph for either German or EC diplomacy. There is still ample opportunity for upsets; and one now seems to have emerged, with the likelihood that the German parliament will ratify the Maastricht treaty this summer only with important strings attached. The procedural details have not yet been worked out. But both chambers of parliament, the Bundestag and the Bundesrat, are expected to insist on the Emu treaty in 1996 as a prime condition for passing the Maastricht agreement this summer.

Final say

German officials say that adding an extra hurdle to the ratification process is necessary for fundamental constitutional reasons. The German line is that parliament, not the executive, has to have the final say in deciding whether Emu really will conform to Bundesbank-style "stability-first" principles. German officials declare that this does not add up to a backdoor escape route from Emu. Nonetheless, insistence on fresh parliamentary appraisal in four years' time throws an undoubted spanner into the Maastricht works, which could disturb the ratification machinery in other countries too. If it is enacted, the Bonn proposal would significantly weaken the "irreversible" procedure agreed at Maastricht, under which Emu would enter into force by 1999 at the latest (assuming at least two countries meet the agreed criteria for economic convergence).

More to lose

Behind Bonn's wish for extra conditions, there are some undoubted similarities to the motives which led Britain to negotiate its celebrated "opt out" clause. In view of the D-Mark's status as Europe's strongest currency, the Germans have much more to lose through Emu than anyone else. Though in different circumstances to Britain, Germany shares the same reluctance to give up its monetary sovereignty unless it is sure that its national interests will be met.

That is a legitimate anxiety. But, having signed up for Emu at Maastricht, Mr Kohl will now need to make maximum efforts to ensure that a wish for extra safeguards is not interpreted in other EC capitals as a sign of flagging interest. The "irreversible" element to the Emu plan contradicts the Bundesbank's basic position that Bonn should agree nothing which sets down an automatic expiry date for the D-Mark. Furthermore, Mr Kohl received only the vaguest of commitments by the other EC countries to proceed towards European political union – a goal which Mr Kohl himself had set as the prime condition for giving his blessing to Emu.

Mr Kohl's dilemma is a delicate one. By appearing three months ago to make Emu virtually a *fait accompli*, he bowed to the demands of the Emu protagonists in France and Italy – but has reaped antagonism from important parts of the German body politic.

Mr Kohl will not be able to please both groups. Germany is right to insist that conditions be met before the move to Emu takes place. But the way this requirement is being reintroduced is bound to awaken doubts about the credibility of its European commitments.

Future of tax reform

WHEN NORMAN Lamont rises to deliver his budget next Tuesday, he will also shape the election campaign. For what he says will tell the electorate far more about his party's vision of the future than about the immediate economic prospects of the UK.

On the role of public spending, Mr Lamont is, unfortunately, sure to be silent. Nor can he respond to informed public discussion of medium-term fiscal options. Not only does the British chancellor continue to purvey two half budgets a year, but he also disappears into "purdah" prior to the great day. While Mr Lamont has been more flirtatious than usual, electioneering, not more informed public discussion, has been his motive.

The British tax system faithfully reflects the lack of coherent public debate and the partisan politics that surround it. It is why, for example, the focus is on the basic rate of income tax. Yet this is much ado about nothing. Not only does income tax generate only a quarter of public revenue, but the basic rate of 25 per cent is among the least distorting taxes in the entire system.

Mr Lamont should try to rise above the limitations of British budgetary theatre. He should do more than offer a few electoral bribes. What is needed is an agenda for reform.

Impractical commitment

For reform is still needed. Mr Lamont should, for example, admit that Nigel Lawson's commitment to a comprehensive income tax was impractical. It has, in any case, not happened. The drift has been in the direction of taxation of expenditure. That development can be taken further, if not through a comprehensive expenditure tax, at least through the extension of the assets included in personal equity plans. Meanwhile, the tax deductibility of mortgage interest must, on no account, be raised in order to "kick start" the housing market.

A fully fledged system for the taxation of expenditure would fit with the abolition of capital gains tax, a tax that is largely voluntary and also entails double taxation of retained earnings. But such a change would be unacceptable without reform of inheritance taxation. The ideal here would not be its abolition, but rather the taxation of large receipts, whether as gifts or bequests.

Treatment of inflation remains anomalous. Capital gains are index-linked, but that is true of neither depreciation nor interest income. The former defect is important in the corporation tax. The failure to provide adequate depreciation allowances creates a further bias against investment.

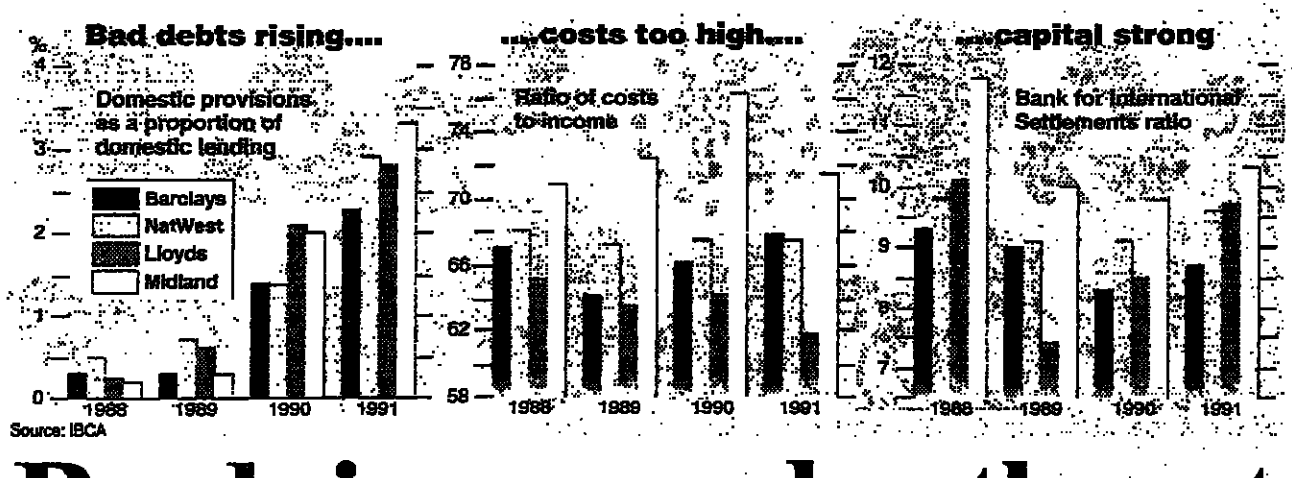
Integrated system

Then there is integration of taxation, national insurance and social benefits. National insurance, for example, generates almost two-thirds as much as income tax. Yet the tax bears no relation to individual entitlements. What it does do is allow the government to focus on the 25 per cent basic rate of tax, while ignoring the 34 per cent marginal tax on those earning less than £20,280 per year (42.6 per cent if employers' contributions are taken into account, as they should be).

No less troubling is zero-rating of VAT on clothing, food, fuels and fares. Complete abolition could raise as much as £12bn. If the proceeds were used to fund additional welfare benefits and lower tax rates, the result could still be substantially more progressive than at present. It can never be said too often that subsidising particular goods is never the best way to help the poor.

If this does not provide Mr Lamont with an adequate agenda, he can go green. How, for example, should he respond to the car industry's bleats about car tax? He should abolish it, making up the difference by increasing taxation of petrol. An increase in the latter of at least 10 per cent would do it.

Nobody expects an ideal tax system; but the chancellor should propose one that is more coherent than the UK's. Everybody expects political debating points; but the chancellor should recognise the importance of fiscal stability. Few expect a complete philosophy of fiscal reform, but Mr Lamont can do far better than a penny or two off the basic rate, increased mortgage interest deductions, and tax deductibility for Norland Nannies.



Source: IBCA

Bank icons under threat

Robert Peston examines the response of UK clearers to poor results

Mr Brian Pearse is something of an iconoclast, for a lifelong banker. Reflecting on the recent financial results of the English clearing banks – their worst since the 1930s by most measures – Midland's chief executive wondered whether a clearing bank needed to be involved in the transmission of money.

Here speaks the banking heretic. The process of collecting cheques and shipping them to the payee's bank underlies all clearers' mainstream activities. Mr Pearse's question is the equivalent of British Rail's chairman asking whether BR should be involved in managing the national network of railway lines.

But Mr Pearse believes that the clearers – Barclays, National Westminster, Midland and Lloyds – have been so shocked by their financial results that they will "have to re-examine the fundamentals of how they operate". The spotlight must fall on their money transmission networks, which have huge running costs.

The weakness of their performance is shown up by the better figures released yesterday by Abbey National, a much simpler business serving personal customers. An analysis of the clearers' results shows why a re-evaluation of the way the industry operates may be necessary. Last year the clearers lost £5.6bn on their loans – or to use the technical term, they made provisions to cover loan losses of that magnitude.

The bad debt charges were the biggest ever to afflict these banks – a particular humiliation given that they arose in the heart of their traditional business, lending to small companies and individuals.

However, the threat to the English clearers should not be exaggerated. They all remained in profit, in spite of the fears of industry observers that NatWest and Midland would fall into losses for the first time since they began to disclose their profit and loss accounts two decades ago.

Indeed the clearers pushed up revenues from fees and commission and increased their interest earnings, so they all made record trading profits if the effect of bad debt charges is excluded.

The profits picture has prompted complaints from consumer pressure groups that customers are being forced to pay – in higher charges and wider margins between borrowing and lending rates – for the banks' lending mistakes.

However, it is arguable that some customers were undercharged in the 1980s. For instance, Midland's charges and interest rates for personal customers were uneconomic for many years.

Although there is no doubt that the banks are able to push up prices once or even twice with impunity – because customers are slow to move their accounts when dissatisfied – there is little prospect of their obtaining growth from further such rises. They face too much competition from other financial institutions in all their main markets, except perhaps the business of supplying services to small companies.

"They cannot continue pushing up charges indefinitely, or they will lose business," comments Mr Robin Monro-Davies, managing director of IBCA, the agency which rates banks' performance.

Last year's increase in lending margins should be viewed as a blip in a long-term trend of declining margins. Figures from Lloyds show the margin on UK lending fell continuously from 7.1 per cent in 1982 to 5.11 per cent in 1990, excluding interest lost on loans that had gone bad, before recovering to 5.33 per cent in 1991.

Mr Brian Pitman, chief executive of Lloyds, is equally pessimistic about the prospects of pushing up non-interest earnings. "We expect revenue growth to be sluggish throughout the 1990s," he says. "The key challenge is to adjust the cost base to the lower revenue base – cutting costs is the core of Lloyds' strategy."

Last year, only the running expenses of Barclays rose sharply. In the case of Lloyds and Midland, overheads were static and at NatWest they rose in line with inflation.

Savings were mainly achieved by quietly cutting staff, with significant consequences. In total, the banks reduced their worldwide workforces by 22,000 to 339,000 – and are likely to cut up to 15,000 in the current year.

But there is a limit to how far banks can cut costs by closing branches and reducing numbers without alienating both staff and customers. Mr Monro-Davies says: "If banks' profits are to grow significantly over the next few years, they need reductions in the bad debt charge."

Improving the quality of loans is also a personal issue. The concept of individual responsibility for decisions was eroded by a trend to centralisation in the 1970s and 1980s.

In most industries, the disclosure of such poor results would have led to sackings and demotions of the managers responsible. But bankers blame the recession first and foremost for their bad debts.

Lord Alexander, NatWest chairman, says no one at his bank has been dismissed as a direct result of having lent imprudently. "The spotlight has not fallen on a person or persons for bad lending," he says.

> **The banks' fundamental flaw may be that they are too diversified and too big**

Mr Pearse, who says Midland has dismissed some bankers for making bad loans, accepts that nonetheless there is a problem in attributing blame to individuals, because big loans were approved by credit committees consisting of several managers and executives.

As for the small loans which have gone bad, branch managers were often encouraged by their head offices to increase lending. "There is no doubt that we put too much pressure on the managers to make loans," says a senior banker.

Midland is reorganising to give more power to branch managers and make them personally responsible for the performance of their branches. A similar process of making individuals more accountable is being examined by NatWest.

However, banks also need to be able to keep closer track of individual businesses. Mr Peter Wood, finance director of Barclays, says the bank is trying to develop a management system to allow it to measure the risk and reward of its many different products and services in a much more precise way.

But banks' fundamental flaw may be that they have become too diversified and too big. One senior banker recalls that "a Department of Trade and Industry inspector who was investigating NatWest's role in the Blue Arrow share issue told me he thought the problem was that NatWest had become unmanageable".

Support for this thesis is provided by the superior performance of Lloyds, which has resisted the temptation to diversify into securities trading and has concentrated its resources on a limited number of markets. It has specialised in serving personal customers and medium-sized corporate customers, reducing its involvement in the more glamorous but less profitable business of lending to big companies in the UK and around the world. Although half the size of NatWest and Barclays, it is now more profitable.

But Mr Pearse points out that divestments of some bank operations are generally regarded as impossible. Even if, for example, a bank calculated that providing loans and banking services to companies produced far too low a return for the capital employed, it might be impracticable to withdraw from this business.

The reason is that the huge fixed costs of a bank's money transmission network are supported by all banking revenues, earned from companies and individuals. Without the revenues from companies, money transmission costs would be carried by the retail banking business alone – and would probably make this business unprofitable.

Mr Pearse muses about a possible solution. Banks could merge their money transmission capabilities, so achieving economies of scale and increasing productivity. It might be sensible to demerge this activity into a separate company.

Banks would then be free to concentrate on the businesses of manufacturing financial products and selling them. The new transmission company would charge the banks a combination of rent and usage fee.

The thought of having a cheque account at a bank with no direct involvement in processing and transporting cheques may seem strange. It would, however, be no more peculiar than buying electricity from a company which plays no direct part in operating the national grid – and that is already a reality.

BOOK REVIEW

What a pity about the city

A NEW LONDON
By Richard Rogers and Mark Fisher
Penguin £8.99

To judge by the activities of the Paul Hamlyn Fund and the Labour party's arts spokesman, Mr Mark Fisher, the general election turns upon rival policy prescriptions for London.

This is the second London book inside a year to bear the stamp of the fund – a private donation by Mr Hamlyn to the shadow arts ministry for policy research – the red rose and Mr Fisher. Given that on this occasion Mr Fisher's co-author is Richard Rogers, an architect of genius, the latest offering has a strong claim to attention.

In reality, it is hardly a joint work. Pressures from Rogers' practice – he is best known for the Pompidou Centre in Paris and London's Lloyd's building – frustrated an intended unitary structure. Instead, we have the Fisher building and the Rogers wing.

The Rogers thesis is that Europe is witnessing the rebirth of the city state. Urban planning policies have shifted from population dispersal towards more intense but ecologically sustainable concentrations.

Rogers is the prophet of this new city. He doesn't just like squares, he finds that "scarcely any pleasure compares" with them. The disfiguring of Piccadilly Circus and Trafalgar Square into "just two more jammed roundabouts" causes him pain. For Rogers, the motor vehicle is driving us all towards a "traffic-dominated, segregated, non-place, unjust city".

Leaping in one undebated bound from effect to cause, he notes that London, having once enjoyed "the first modern, democratic metropolitan government in Europe" (the London County Council), is now Europe's only capital without an elected overall government. London, he says, "needs a co-ordinated, interventionist policy".

The favoured overseas model is Paris. Not only does Paris have overarching government, it has architectural *grands projets* by the dozen, and public architectural competitions as a matter of course. I M Pei's glass pyramid outside the Louvre is hailed as a masterstroke both of self-confidence and internationalism.

Alongside Rogers' bold strokes, Fisher's manifesto prose flags. He develops the case for making the revitalisation of the Thames, London's *grand projet* for the 1990s, an idea with which no Londoner could disagree. The fact that the river remains so inaccessible to pedestrians at so many points in its swaggering course, not least through the City, is indeed a serious planning failure.

Fisher also attacks the cash-primed *laisser faire* of Docklands, whose ill-designed transport system is another primer in how-not-to-do-it. After visiting some of London's more desperate council estates, he praises re-furbishment based upon close community consultation.

The argument that binds, or should bind, the two parts of the book together is the critique of the capital's planning processes. Here, however, the reader will be disappointed.

It is not at all clear what is proposed. Rogers speaks of transferring powers from the London boroughs to "a number of boards" made up of councillors, specialists and "lay citizens", a category in which he includes, bizarrely, architectural journalists. There's a whiff of the professional's secret garden in his arguments about aesthetics.

Fisher trots out the party line – a lightweight city-wide authority in charge of strategic planning, public transport and promotion. As with Labour's other constitutional reforms, the devil is in the detail of precise powers, boundaries and ripple effects; such detail is evaded.

Not that any Londoner, indeed any citizen in a democracy, would deny the desirability of "strong political leadership" such as the authors admire in the reconstruction of Barcelona. But how to get it? London has had, in many of its boroughs, decades of single-party government; is that strong? When it had a Greater London Council, that body did go in and out with the political tide, but was *that* strong?

Fisher notes that the period 1965 to 1986 was the only time in London's history when the capital had a strategic, metropolitan planning body. This was hardly London's golden age of planning and transport policy. Indeed, it was the period when the de-industrialisation of the Thames made that particular *grand projet* doable, but left it undone.

Londoners, however, will mostly rejoice at the spirit of this book. Of course we should have competitive airports, a voice for London and a government which sets an architectural example in its own building projects, making more use of architectural competitions along the way. Personally, I'll also sign the petition for Rogers' "linear park" from Westminster to Blackfriars, not to mention the wonderful idea of excluding traffic from the north side of Trafalgar Square and so creating a great, pedestrianised apron between the National Gallery and the square.

We need, however, to remember that London's political realities are more complex than here allowed. If reformers misjudge them, history shows that debilitation or paralysis will ensue.

Ian Hargreaves

OBSERVER

Bass's not so happy hour

■ Stiff upper lips at Bass, owners of the world's largest hotel chain. Its Holiday Inn franchisee in Sarajevo, which operates the city's premier hotel, is having staff problems. Service has not been the same since the 310-room hotel apparently fell into the hands of Serb extremists for a while.

Only this week a colleague was having a quiet drink when guests in the lobby came under fire from the direction of the management office on the first floor balcony. After emptying a few rounds, the Serb vigilantes then took their place in the hotel restaurant, one of the few remaining open in a city held under siege by their comrades.

To add insult to injury, the gun-toting Serbs were served by smiling waiters while guests were told a hot meal would require at least a three-hour wait and there was no question of a reduction on the bill.

Bass plays down the incident. First it said that it had been in contact with the hotel and it was so quiet that the general manager had gone home.

But hadn't there been any complaints about shooting? After another call to the battle-front, Bass confirmed that a group of Serbs had tried to take over the hostelry on Monday but had been repulsed by Holiday Inn's loyal security staff. "It's absolutely back to normal now," insists Ben Hanbury, Bass's director of corporate affairs.

Here's to you

■ The tone of the debate on the future of British television between John Cleese, the comic actor and maker of classic management training films, and Gerry Robinson, the new chief executive of Granada, has risen a notch or two.

When Cleese heard that Robinson had fired David Plowright, chairman of Granada Television, he fired off a very rude fax. Robinson penned a polite reply. Now Cleese has counter-attacked again "in a slightly less abusive way".

"You win your franchise as a result of the 'quality threshold' against rivals who bid four times as much. With the franchise nice and safe, you get rid of the man whose reputation for quality was largely responsible for your winning the franchise, and then start dismantling the team that delivered the programmes," says Cleese.

Then he goes and ruins his case by wishing Robinson "fairly good wishes pending further developments".

German tourist

■ Germany's Bertelsmann may be only the second largest international publishing empire (after Time-Warner), but these days its sounds like the cat that swallowed the canary.

It is feeling very self-satisfied about landing Mikhail Gorbachev for his first international trip since he gave up the unequal struggle to hold the Soviet Union together.

The former Soviet superstar will be spending an entire week in Germany. For, as well as catching up on a bit of sightseeing with Raisa, he is there to plug his new book, The Disintegration of the Soviet Union: My Viewpoint. Bertelsmann brings the tome out, in German, in April.

With a title like that, and the former Soviet leader's leaden prose style, it will need all the plugging it can get.

The itinerary includes dinner with Chancellor Kohl (they are on familiar "du" terms), breakfast with President Richard von Weizsäcker, and lunch with former Chancellor Willy Brandt, the inventor of Ostpolitik.

"It's the bill he ran up saying a tearful goodbye to his chatline friends"

But the unlikely recipient of three whole days of Gorby's time is Theo Waigel, the finance minister. As leader of the Christian Social Union in Bavaria – by far the most conservative and formerly anti-Soviet part of the ruling coalition – he will have a chance to inflict on Gorbachev the strangest Bavarian practices at his Munich home.

That means attending the "Fischessen" – a sort of fish stew bash with beer – with several hundred CSU luminaries on Friday night, in the cavernous and hideous Hofbräuhaus, a must for any visiting tourist.

Over-connected

■ Britain's big insurance companies are enthusiastic supporters of non-executive directors playing a forceful role in a company's affairs. Indeed, when it comes to recruiting blue-chip names themselves, they vie with the big banks for the most sparkling connections.

Yesterday it was General Accident's turn to add a couple more trophy names to its letterhead. Sir Peter Middleton, the former permanent secretary at the Treasury now carving out a second career at Barclays, is joined by Louise Botting, the ex-presenter of Radio 4's Money Box programme. They enter a boardroom which includes the Earl of Airlie (lord chamberlain of the Queen's Household), the Earl of Mansfield (first Crown Estates Commissioner), Lord MacFarlane (one of Scotland's best-connected businessmen), Sir Nicholas Goodison (chairman of the TSB), Sir Anthony Cleaver (chairman of IBM UK) and Sir David Nickson (a former CBI president), to name but a few.

If non-executive directors are really such a good idea, it is difficult to understand why insurance companies and banks have made so many mistakes and plunged into such terrible losses.

Silk purse

■ Britain's Conservative party is keen to hold on to its lone parliamentary seat on Tyneside. Since the start of the year, its marginal Tynemouth constituency has been a favourite visiting place for heavyweight Tory figures, starting with the prime minister. Now, without warning, the government has done a U-turn and announced that it will after all upgrade the 122 miles of the A1 between Newcastle and Edinburgh into a dual carriageway.

The two Tories who made the joint announcement – transport secretary Malcolm Rifkind and James Douglas-Hamilton, the Scottish roads minister – are both defending marginal seats in Edinburgh. And the local Tyneside Tory MP's name is Neville Trotter.

A blatant piece of pre-election pork-barrel politics...?

LETTERS

The real losers from fraudulent theft claims

From Mr Mark Weigler.

Sir, Your article discussing measures being taken by insurers as a result of increased theft and alleged arson claims ("Sharp rise in theft insurance payouts", March 2) fails to take into account the problems which innocent claimants are experiencing because of this tougher line.

The Association of British Insurers states that fire damage payouts last year were £1.02bn. Although half of this figure is attributed to arson, the amount believed to result from policyholders setting fire to their own property is £100m – 10 per cent.

Nevertheless, our own experience shows that the proportion of claims which are investigated for fraud is much higher. The result is that many innocent policyholders face difficulties in negotiating their claims, with settlement sometimes delayed to the point where the business's ability to reinstate and resume trading is seriously impeded.

No-one expects insurers to pay fraudulent claims. But non-fraudulent claimants – the majority – have the right to expect value for the premiums they have spent on protecting their business. It used to be the case that you were presumed innocent until proved guilty. Some insurers now appear to be presuming guilt and wheeling in forensic accountants and scientists to try to prove their case. Often the only way the innocent claimant can win is by appointing his own professional loss assessor to look after his interests.

Mark Weigler,
senior marketing consultant,
Balcombes,
Balcombe House,
London E2

IMF still has critical role to play in structural adjustment programmes

From Mr Laurence Cockcroft.

Sir, Michael Prowse's article on the current and future role of the International Monetary Fund ("Capitalist tool in need of sharpening", February 26), cannot pass without challenge.

Mr Prowse argues that the fund's future role in designing structural adjustment programmes could well be taken on by private sector consultancies such as Sachs & Associates or the Emerging Markets Corporation. Programmes designed by such consulting companies – if given an imprimatur by an impartial body – could "unlock a flood of private sector capital". This would free the fund to concentrate on its true function of "running the world monetary system" – and financing short term balance of trade deficits.

This suggestion is singularly misconceived in relation to most of the world's poorest economies and particularly those in Africa and the smaller low-income countries of Asia and Latin America.

Economies in this category (that is, the majority) which have adopted IMF-sponsored adjustment programmes are not experiencing a significant increase in private-sector lending or investment even following a direct injection of IMF funds – generally a means to leverage donors' funds and not market funds.

In Africa as a whole, according to figures from the Organisation for Economic Co-operation and Development, total net private sector flows in 1990 (direct investment plus market lending) totalled $2.6bn out of total flows of $32bn; in the smaller countries of low income Asia it totalled $1.4bn out of total flows of $15bn.

No consultancy company will succeed in persuading multinational companies – the main source of foreign direct investment – to invest or lend equivalent sums to those of the IMF (say $100m in one commitment) in or to countries such as Tanzania, or even Zimbabwe.

The facts are that the costs of adjustment are high, the outcome uncertain, and the international economic climate hostile. The Bretton Woods institutions have a continuing critical role to play – and the fact that they are fallible, poorly co-ordinated and should probably be merged does not suggest that international private capital can conceivably replace their function in low-income countries.

Laurence Cockcroft,
101 Riversdale Road,
London N5.

Pollution and buses in Santiago

From Mr Peter R White.

Sir, Leslie Crawford's report from Santiago ("Putting the brakes on the bus cartel", February 26) usefully highlights some of the problems caused by bus deregulation in the Chilean capital, and recent government action to counteract them.

However, although dealing with pollution from the buses may have provided a useful rationale for reducing the total number of buses by withdrawing the oldest vehicles, it would be wrong to regard buses as the main source of transport pollution.

The recent comprehensive transport study of the city published by the Commission on Urban Transport, shows that only in respect of particulate emissions (from diesel engines) were buses and lorries the main source. For other transport pollutants, the car was the main source, generating two thirds of the nitrous oxides, and 90 per cent of the carbon monoxide.

As in Britain, it is private transport (rather than public transport, whether efficiently or badly run) that must be tackled.

Peter R White,
senior lecturer in
public transport,
Transport Studies Group,
35 Marylebone Road,
London NW1 5LS

Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set fax machine for fine resolution.

Out for blood

From Mr H L Benjamin.

Sir, I wonder if the MPs of both main parties currently baying for the blood of Lloyd's "insiders" (that is, members) for the losses of many "outside" Names have noticed the losses being reported by insurance companies, with the shares of Royal, for instance, falling from 490p to around 180p in the last year or so and passing its dividend?

Would it not be consistent to set the lynch mob on the company "insiders" (ie management) for the losses of "outside" shareholders?

Or would that be seen to be so idiotic as to be without political capital?

H L Benjamin,
22 Shrewsbury House,
Cheyne Walk,
London SW3

Premiums for life salesmen

From Mr Bob Gill.

Sir, I fear your article "Increased share of premiums for life salesmen" (February 26) may have had the effect of misleading some of your readers.

The story correctly draws the distinction between independent financial advisers and agents who are tied to individual insurance companies.

However, the Lautro survey on which you were reporting clearly distinguishes between organisations with a separate mainstream business (such as building societies) who are tied to one insurance company, and individual company representatives, such as a life office's full-time direct sales force – who are often described as life salesmen and saleswomen.

Lautro's survey expressly excluded any data relating to company representatives.

To refer to staff in offices such as building societies or estate agents as "life salesmen" is not accurate, and could well confuse the reader.

The matter concerns me because direct sales forces invariably tend to receive considerably less commission than that paid to both tied agents and independent financial advisers, and it would be unfortunate if your article failed to make itself clearly understood in that respect.

Bob Gill,
corporate affairs,
Allied Dunbar Assurance,
Allied Dunbar Centre,
Swindon,
SN1 1EL

Paper and Brazil's rainforest

From Mr Roderick Bromley.

Sir, Kathy Bradley of the Pulp and Paper Information Centre (Letters, February 29) rightly points out the misconception that paper is made from Brazilian hardwood.

What she omits to mention, and this is a fact to which other voyagers to Brazil might attest, is the extent to which the rainforest has been subjugated by the implantation of eucalyptus, from which the paper pulp does come.

Roderick Bromley,
Coltishall House,
Great Hautbois Road,
Coltishall,
Norfolk

Next stop, Spaghetti Junction

From Mr Michael Lake.

Sir, Do not knock the railway sandwich, even on the authority of Trollope ("The Golden Age of rail that never was", February 29/March 1).

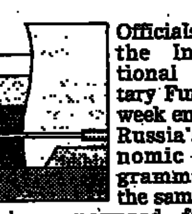
In my youth in New Zealand, the most important feature of the 15-hour limited night express between Auckland and Wellington was the cold, tinned spaghetti sandwich available (only) at Frankton Junction around 10pm and Taumarunui around 1am. Scrumptious!

Michael Lake,
Kuleli Sokak 15,
Gazi Osman Pasa,
Ankara, Turkey

PERSONAL VIEW

If the west wants to help Russia, now is the time

By Yegor Gaidar



Officials from the International Monetary Fund last week endorsed Russia's economic programme. At the same time, Russia announced further steps to reinforce its moves to monetary and fiscal discipline and to a market economy.

The west is currently considering the question of foreign financial assistance to support our reforms. I should like to explain why speedy assistance is so important a reinforcement for our efforts.

Our basic task is this. We must conquer a powerful inflation bequeathed by the old system, while at the same time rapidly introducing market forces and private ownership. We inherited a budget deficit of more than 20 per cent of gross domestic product, a mountain of roubles built up by years of monetary and fiscal laxness, and a crippling system of price controls. The result was a destructive combination of empty shops and explosive inflation.

We took necessary and dramatic steps, in line with the serious situation. We freed most but not all prices in early January. Prices rose immediately by about 250 per cent, but since then they have risen little, and in some cases have declined. We tightened up monetary policy, and decisively cut the budget deficit, so that the flood of roubles has been brought to a trickle. The free market value of the rouble has started to strengthen as a result.

However, the next phase of our reform will be at least as difficult as the first. To consolidate our budget gains, we will by the end of April free nearly all prices, including energy prices. Only rents, public transport, and some prices of utilities will remain controlled. Energy prices will move to world levels progressively over a couple of years, with an export tax accounting for the price difference. We expect energy prices to rise by a multiple of six in April.

The resulting price rise will be a severe but unavoidable blow to our population. They cannot be fully protected against it without initiating an endless wage-price spiral. To prevent such a spiral from developing, it is important to "anchor" the price level by pursuing tight monetary and fiscal policies, and by stabilising the value of the rouble against international currencies.

In spite of the critical need to stabilise expectations, the future of our exchange rate is uncertain. Without foreign financial help, we cannot possibly attempt to peg the rouble, and certainly not at a socially and economically tolerable rate.

At the current rate of about 80 roubles to the US dollar, average monthly wages in industry still amount to no more than $20. This disastrously low dollar wage reflects the utter scarcity of foreign exchange in our economy, the result of the anti-export bias of the old system, collapsing oil export earnings, and the severe debt crisis that we inherited. Already in 1991, our imports fell by about 45 per cent compared with the 1990 level, leaving the economy with an acute scarcity of foreign exchange.

This shortage is contributing to the deepening industrial crisis. Across Russia, factories have run down the imported raw materials and spare parts needed to maintain output. Even though these factories can now buy foreign exchange in the free market for imports, with the weak rouble they are squeezed between the high cost of dollars and the low purchasing power of their domestic customers.

Within a few years, our own exports will rise strongly as a result of the new market forces in the economy and the recovery of our oil industry; by then the foreign exchange shortage will then have been eased by our own efforts. However, in the coming year, we will have to rely heavily on foreign finance.

We want to stabilise the rouble at a realistic rate, stronger than 50 roubles per dollar, and consistent with average monthly industrial wages of about $100 later this year. For this we will need foreign exchange reserves to help defend the currency, and a flow of balance of payments support to help us finance critically needed imports.

To build up the reserves needed to defend the exchange rate, we have asked the Group of Seven leading industrial countries to provide us with a stabilisation fund similar to that provided for Poland. After allowing for the size of our country, this would amount to some $5bn.

Ideally, of course, we would not have to draw on the fund, any more than Poland did. But the existence of the fund would be a clear warning to speculators that they could lose money by selling roubles.

It is very important to us to have this fund in place within weeks rather than months. Since the impending price rises are bound to have a destabilising effect, it is vital to show our people that the increases are a once-for-all adjustment to complete our stabilisation, and not just another wave in a sea of inflation.

In addition to the stabilisation fund, we have requested several kinds of help to increase the flow of imports into the economy. We need about $6bn in humanitarian assistance, food and medicine, in 1992, to make up for the terrible harvest shortfalls and the critical lack of pharmaceuticals.

We need another $6bn or so in non-food imports, to keep production going in factories dependent on imported inputs, and to prevent the foreign-exchange crisis from driving living standards to intolerably low levels. We also need further relief on debt service (principal and interest) this year. We stand by our debts, and will be able to service them in full, but only if our reforms are given the chance to take hold.

Our programme is comprehensive, practical and tough. But it must bring results as soon as is possible. This means that it must choke off inflation while sustaining a reasonable standard of living. We can then succeed with the critical tasks of privatisation and structural change, which are already in motion.

Russia's economic policies for stabilisation and market reform are rapidly coming into place. If the west wants to help us, now is the time.

Yegor Gaidar is deputy prime minister of Russia

Edward Mortimer

Europe's security surplus

Instead of setting up rival structures, Nato should become the "secular arm" of CSCE

FOREIGN AFFAIRS

"The challenges we face in this new Europe cannot be comprehensively addressed by one institution alone, but only in a framework of interlocking institutions tying together the countries of Europe and North America."

Thus spake the heads of state and government of Nato at their meeting in Rome last November. And of course they were right. The new order in Europe was never expected to be orderly, and the "new security architecture", lacking a single architect, was bound to be a ramshackle affair.

The phrase "interlocking institutions" has caught on, but "institutional overcrowding" might be a more apt description of what is happening. Broadly speaking, all the institutions are trying to move in the same direction – that is, they aspire to absorb and integrate the ravaged economies and warring nationalities of central and eastern Europe into the relatively prosperous and peace-loving North Atlantic world. Their plurality could even be seen as a fine example of the pluralism they all preach. Even if they all map out different routes to the common destination, that could be a good thing – so long as their "interlocking" does not take the form of gridlock.

Things are not that bad yet, but the routes are beginning to criss-cross in a rather alarming way. Or, to change the metaphor, the alphabet soup is getting a little too thick to be digestible; and Nato is guilty of thickening it gratuitously. That is ironic, because Nato's strongest argument throughout this bewildering process has been that we should hold on to and make use of existing institutions, rather than invent airy-fairy new ones which would only spawn new bureaucracies. Yet Nato itself has spawned an unnecessary and possibly mischievous institution: the North Atlantic Co-operation Council (NACC).

You can tell there is something wrong with this animal by the very fact that it has to be pronounced nack-see, to distinguish it from NAC, the North Atlantic Council, which is Nato's governing body. (One of the most common symptoms of institutional overcrowding is what we doctors call "acronymic overload".) But a more serious objection is that it duplicates the membership of the Conference on Security and Co-operation in Europe (CSCE), while taking over what should be that body's functions.

NACC was formed at the end of last year as a forum for co-operation between Nato and its erstwhile adversaries, the former members of the former Warsaw Pact. In large part it was intended to console them for Nato's unwillingness to admit them as members or give them security guarantees. It thus comes into the category of confidence and security building measures, which has always been the concern of CSCE. Its most useful role at present is to discuss the implementation by the republics of the former Soviet Union of arms control agreements signed by Moscow – especially the treaty on conventional forces in Europe. But that treaty, although negotiated between the members of the two alliances, was formally part of the CSCE process, and its adjustment to the new realities could have been done within a CSCE framework.

It is true that the new democracies, which were very keen on CSCE two years ago when it seemed to offer the best hope of escaping from the old blocs and forging new ties with the west, have lately shown more interest in Nato, as being something firmer and more tangible. But what is firm and tangible about Nato is its character as a mutual defence pact and military alliance, with integrated force structures and a firm commitment of "all for one and one for all". And it is precisely those aspects of Nato that are being withheld, for the time being anyway, from central and eastern Europe.

If central and east European countries are disillusioned with CSCE it is because Nato countries have been very cautious about investing it with any real security functions, or with the staff and resources to carry them out. CSCE could have been given a boost, had it been made the forum for the kinds of security co-operation now to be carried on in NACC.

The parallelism between the two bodies has been underlined by the way they have both reacted to the break-up of the Soviet Union. Both have been ready, without any real debate, to welcome all the ex-Soviet republics including those of central Asia which, by definition, are outside Europe and, for that matter, a very long way from the North Atlantic.

Institutions once created are hard to get rid of. NACC is probably with us now until such time as all its members are admitted to Nato proper

This makes it all the more obvious that the main difference between the two organisations is that NACC, while including all Nato's former adversaries, excludes Europe's "neutral and non-aligned" states. It is as though Nato believed that Moldova and Tajikistan, which are members of NACC had somehow become more deserving, more reliable, or more important to north Atlantic security than Ireland, Sweden, Finland, Austria and Switzerland: a manifestly absurd proposition.

Institutions once created are hard to get rid of. NACC is probably with us now until such time as all its members are admitted to Nato proper. But people do seem to be realising already that Nato's true vocation in the post cold war world is to become the military muscle of CSCE.

Nato's secretary-general, Mr Manfred Wörner, suggested recently that the alliance could make its military expertise, and even troops, available for missions ordered by CSCE. Within the last ten days that idea has been taken up by such diverse authorities as the German Social Democrats, the Dutch foreign minister and, most interestingly, the chief US delegate to the CSCE review conference, to be held in Helsinki later this month.

CSCE has no troops of its own, but it is developing a political and diplomatic role, in response to an evident demand. Two weeks ago it sent a mission to Armenia and Azerbaijan, led by the charismatic Count Karl Schwarzenberg, who is chief of staff to President Vaclav Havel of Czechoslovakia. (He apparently worked wonders in persuading nervous Russian helicopter pilots to fly the mission into Nagorno-Karabakh in the midst of the fighting.)

Last Friday, after hearing the mission's report, the CSCE, meeting in Prague at the level of senior civil servants, put forward a plan for a ceasefire, humanitarian aid, renewal of the Russo-Kazakh mediation effort and the deployment of ceasefire observers drawn from CSCE countries, if the warring communities can agree to accept this.

Such observers would need military experience, and Nato would be well placed to supply them. It could also supply a peacekeeping force if that proves to be necessary – the UN's capacities in this department being already stretched to breaking point. It is ironic to think that a Nato force would now almost certainly be more acceptable politically than a Russian one, on what was a few months ago Soviet territory, and that the Russians themselves would be delighted to see it go there.

Of course, even if Nato supplies the expertise and logistics, there is no need for a CSCE peacekeeping force to be drawn exclusively from Nato members. If Germany, for instance, had constitutional inhibitions about sending its own troops, perhaps it could pay "scutage" in lieu and the money could be used to finance, say, a Polish or even a Serb or Croat contingent. Experience of other people's wars might help the armed forces of some east European countries to see their own problems in better perspective; and they could certainly do with the hard currency.

FINANCIAL TIMES
Wednesday March 4 1992

Germany prepares for pay round

IG Metall negotiators and the employers remain steadfast, writes **Christopher Parkes**

MR Franz Steinkühler, head of IG Metall, Germany's most powerful trade union, says he is used to the sound of employers banging the drum in the overture to wage talks. But squeaking pips have added a shriller note to the orchestration this year.

The tally of redundancies, falling orders, omitted dividends and looming losses in the engineering sector has grown in the past few weeks almost as quickly as the mountain of pay-round propaganda.

Mr Steinkühler's hardened ear detects an unusual harmony: "We have never before seen the employers putting up such a solid, radical front," he says.

That solidarity will be put to its first test tomorrow at the launch of this year's rolling round of pay negotiations in Schleswig Holstein and Hamburg. Over the next three weeks IG Metall negotiators, armed with a 9.5 per cent general claim for 4m mechanical and electrical engineering workers, and officials of Gesamtmetall, the leading employers' association, will join the process.

Positions on the simple issues – pay and inflation – have already been marked out. With consumer prices expected to rise by 4.5 per cent this year, the employers will probably settle for anything less than 6 per cent and the union for anything above it.

For IG Metall, a 6 per cent deal would be a signal victory in what is to become a battle over principles. Mr Steinkühler and his lieutenants present themselves as front-line defenders against industrialists, economists, politicians and central bankers allegedly conspiring to impose an average national 5.5 per cent pay rise. Their aim, IG Metall says, is to weaken the unions and, more ominously, to dismantle the internationally admired social contract between workers and employers.

By inference, workers' rights in co-determination, shorter working hours, and all the "extras" which, according to the IW economics institute in Hamburg, make up 47 per cent of an industrial worker's pay, could be at risk. Protecting the country's renowned "social" economy from transformation into a pure market economy is a principle worth striking for, according to Mr Steinkühler.

Increasing pay will raise purchasing power and give the economy a necessary lift. More importantly, he says, it will compensate wage earners for the unfair burdens of tax and duty surcharges they have had to pay to help integrate eastern Germany into the federal family.

Things seem simpler from the companies' side: industry simply cannot afford big pay awards in the west while investing in the east, they say. Gesamtmetall wants an immediate change in the direction of pay policy and restoration of the country's fabled pay stability and labour market peace. Hourly wage costs, which increased by an average 4 per cent a year between 1982 and 1989, jumped 7 per cent in 1990 and 8.2 per cent last year. They have far outstripped compensatory productivity growth and manufacturers' ability to pass on increased costs to dwindling customers in export and domestic markets.

In the short-term, engineering is shedding jobs. In the last half of 1991, when demand in east Germany tailed off and orders failed to materialise in recession-hit export markets, 20,000 engineers lost their jobs and a further 100,000 went on short-time. In the longer term, all industry seems to agree, Standort Deutschland – Germany as a site for investment – will lose its attraction; the "Made in Germany" label will be too expensive, and worse will follow.

IG Metall dismisses the Standort Deutschland argument as a dangerous sham, tantamount to sawing off the branch on which the German economy depends. According to Mr Fritz-Heinrich Himmelreich, managing director of the all-industry employers' association, BDA, the small and medium-sized companies which feed the core of German industrial giants with components are finding it an increasingly uncomfortable perch.

This sector, the Mittelstand is in rebellion, he says. As well as having to face steeply rising wages bills, the companies are confronted by demands from their customers, who are trying to retain competitiveness by demanding lower prices or threatening to seek cheaper production bases elsewhere. East Germany, where unions demand that pay should increase to full western levels by the end of 1994, offers no alternative.

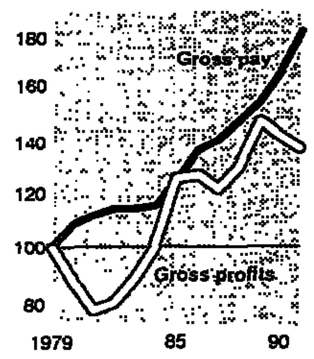
Another result is that they are more resolute than in the past two years in their stand against IG Metall. Mittelstand companies, each employing up to 250 people, represent 70 per cent of Gesamtmetall's membership and employ a total of 1.8m workers.

Summing up, Mr Steinkühler claims that "the phase of relative social peace seems to be coming to an end". Following unification in October 1990, Germany was too busy having a party and pouring products into the former GDR to notice that there was nothing coming back except bills for social welfare benefits for 16m new west Germans.

The seeds of the threatening storm were sown when the east's former communist bloc markets disappeared with the collapse of the Soviet Union. Now, as Mr Hans-Joachim Gottschol, leader of Gesamtmetall, told Mr Steinkühler last week: "We are all standing in the rain together."

Germany

Pay & profits in West German mechanical & electrical engineering



Source : Gesamtmetall, employers' association, using Bundesbank and Federal Statistics Office figures

Franz Steinkühler: employers putting up a solid front

GERMAN MECHANICAL & ENGINEERING SECTOR

	PERCENTAGE INCREASES 1982-89	1990	1991
Basic pay	4.0	6.0	6.7
Wage costs per hour	4.0	7.0	*8.2
Productivity	3.0	3.3	*3.9
Unit labour costs	1.0	3.5	*4.2

*Jan to Oct

Source: Gesamtmetall Employers' Association

Serbs lift barricades around Sarajevo after government concessions

Threat of Bosnian civil war recedes

By **Laura Silber** in Sarajevo and **David Buchan** in Brussels

THE IMMEDIATE threat of civil war in the Yugoslav republic of Bosnia-Hercegovina receded yesterday after armed Serb nationalists lifted their barricades from around Sarajevo, the capital, following concessions by the Bosnian government.

The concessions will allow Moslems, Serbs and Croats, the republics' three main ethnic groups, time to consider if and how the referendum on independence can be implemented.

Serbs erected the barricades after Moslems and Croats voted overwhelmingly at the weekend for independence from the Yugoslav federation. The Serbs boycotted the referendum, vowing to remain in a Serb-dominated, and smaller Yugoslavia.

Western diplomats yesterday said the force and intimidation used by the Serbs on Monday clearly showed that they were now in a much stronger position to control the republic's political agenda.

"The Serbs, especially Mr Radovan Karadzic, who is a close ally of Mr Slobodan Milosevic [the president of Serbia], now know they can block independence of Bosnia by using force and intimidating the Moslems, who do not want a war," a western diplomat said.

But Mr Alija Izetbegovic, the Moslem president of Bosnia-Hercegovina, threatened to call out hundreds of thousands of inhabitants of Sarajevo to prevent Serb militants from holding the city hostage in the future. Bosnian and Moslem officials denied that the Serb gunmen had extracted concessions by force and insisted that the republic would forge ahead with independence.

Sarajevo was quiet for most of yesterday but western diplomats are not confident the concessions made to the Serbs will lead to permanent stability.

"The Serb gunmen showed how easy it was to bring Sarajevo to the verge of chaos," a diplomat said. Mr Izetbegovic accused Serb extremists of having planned the show of strength, even before the murder of a Serb on Sunday gave them a pretext.

"The blockades would have happened without the murder ... all the indications are that it was planned, including the number of people and the choice of locations [for the barricades]," he added.

Mr Izetbegovic raised the stakes in the conflict by warning that he would call on 300,000 citizens to stop the next blockade at every intersection.

He made it clear to Serbs that there would be a direct confrontation between Serbs and the citizens of Sarajevo.

In Brussels, the EC preferred to adopt a "wait and see" approach towards giving recognition. EC states feel themselves bound by the Badinter report, which recommended the referendum in Bosnia. But EC diplomats pointed out that the Twelve had said in January that the Badinter recommendations would be only one element in their diplomatic stance towards the republics.

Recognition of Bosnia would have the awkward effect of highlighting the EC's own impasse over recognising Macedonia under that name. Greece fears this would stir "Macedonian" nationalism in northern Greece.

US figures may signal early stages of recovery

By **Michael Prowse** in Washington

A SHARP rise in the index of leading indicators and a jump in home sales yesterday further bolstered hopes of an early US economic recovery.

In congressional testimony, however, Mr Alan Greenspan, Federal Reserve chairman, cautioned that the outlook remained highly uncertain. The pace of recovery so far was "little more than glacial". The Fed stood ready to ease monetary policy again if growth failed to materialise, he said.

The composite index of leading indicators rose 0.9 per cent in January to register its first big rise since July. Sales of new homes rose 12.9 per cent in January to an annual rate of 622,000, the highest level for nearly two years. Both indicators were stronger than most analysts expected.

Rising share prices provided much of the impetus. But the rise also reflected strength in orders for plant, equipment and consumer goods, a rise in building permits, and faster growth of the money supply.

Leading indicators for November and December were revised to show declines of only 0.2 per cent in each month, rather than 0.3 per cent as previously calculated.

Last year, the index of leading indicators began rising about three months before the economy staged a partial recovery from recession.

Yesterday's figures, however, showed a 1 per cent fall in the composite index of coincident indicators, which track the current state of the economy. The fourth monthly fall in these indicators suggests a second economic dip.

Home sales in January were running about 20 per cent above the level of last summer and about 50 per cent higher than in January last year which was artificially depressed by the Gulf war.

Last month's increase, however, was heavily concentrated in the midwest and, to a lesser extent, the south. Home sales rose only fractionally in the west and not at all in the depressed north-east.

Yesterday's encouraging figures follow news of an unexpected surge last month in the purchasing managers' index, an closely followed barometer of industrial conditions.

THE LEX COLUMN

Fisons' sorry story

FT-SE Index: 2,565.4 (+11.1)

There was a depressing air about yesterday's annual results from Fisons. A company supposedly intent on demonstrating a new-found frankness managed to look as secretive and self-satisfied as ever in confirming that earnings last year fell by a fifth. Such details of the disasters in the US as it volunteered merely served to emphasise the deep-seated nature of the group's problems there. The novel release of sales figures for its main drug products was tarnished by their unusual derivation from outside survey sources, while the attempt to disguise a flat underlying sales trend by excluding associate companies and re-stating the previous year's figures came across as worryingly naive. A net cash outflow of £60m, the £10m interest bill and the jump in gearing to 38 per cent suggested that even the group's renowned financial skills have not been immune. By the standards of its peers, Fisons is shrinking.

If the vacant chief executive's position is filled by an aggressive outsider, it is conceivable that the management culture will be given a shake-up. The fact that after four years a supposed wonder-product such as Tilade purportedly has worldwide sales of only £20m reveals the extent of Fisons' difficulties. A larger company might well have been able to make a better fist of exploiting its undoubted commercial prospects. Fisons has sensibly admitted that its drugs division will not be independent for much longer. Talk of joint ventures remains vague, but at least the subject has been broached.

Admittedly, it is possible that Fisons will pull off a recovery on its own, in which case its shares look cheap. But given that the shares have now barely outperformed the market over five years, investors will doubtless not be taking that on trust.

General Accident

No bad news is suddenly good news for investors in UK composite insurance companies. That at any rate seems to be the shallow thinking behind yesterday's 4 per cent jump in the General Accident share price after the company announced pre-tax losses, a final dividend and shareholders' funds bang in line with expectations.

Relief after Royal is understandable, and income funds are no doubt grateful for a yield more than 50 per cent higher than the market average. But with the shares still trading at a hefty premium to estimated net assets it is hard to summon up much enthusiasm on a long term view. Take last year's dreadful UK underwriting results, for instance. There may be some evidence of an improvement in the last quarter, and just a hint of highly prudent reserving, but the overall 50 per cent deterioration is pretty bleak given GA's relatively small mortgage guarantee exposure and the comparison with a storm-tossed 1990. Rate increases will help repair some of the damage to the motor account – but a 34 per cent fall in fourth quarter premiums for this type of business highlights the strategic dilemma of taking the pricing solution too far.

As with most of its competitors, the over-riding question about GA is whether it can sustain its dividend payout. Royal has already shown what can happen when a company runs out of balance sheet fat. While GA is not in the danger zone yet, it does not take much imagination – another £50m-£100m of losses this year and a reversal in the US dollar exchange rate or the UK stock market – to see the solvency margin down in the low 30s. GA, rightly or wrongly, will do its damnedest to pay, but there are too many unknowns to be comfortable at this stage.

Abbey National

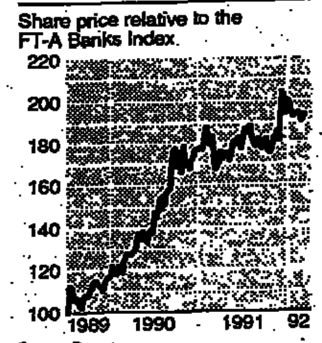
It seems the market is never satisfied. Having registered alarm at the prospect of industrial companies cutting or even passing their dividends, it ought to be delighted by the rare spectacle of a bank whose dividend is covered three times. Instead, yesterday's results presented an opportunity to lop 4 per cent off the value of Abbey National. Investors are right, however, to pause for thought over Abbey's dependency on treasury business. Without the £60m increase from this quarter, pre-tax profits would actually have fallen by 4 per cent.

Management's extreme risk aversion should mean there is no particular danger inherent in this activity, but the sudden prominence of low-margin treasury income does underline the weakness of Abbey's core operations in the retail sphere. Growth is hampered on several fronts despite Abbey's remarkable ability to force down deposit rates faster than lending charges. The housing market is not out yet out of the woods; costs are rising as the heavy spend on branch development continues and it will be next year before its new insurance venture starts to pay off.

All this leaves Abbey flawed as a recovery stock, especially since it has fewer provisions to unwind than the other clearing banks when the economic climate finally improves. But at its current level it is not attractive in yield terms either, despite the prospect of a real increase in the dividend this year. Abbey's historic yield of 4.8 per cent compares with 5.2 per cent from *Lloyds*. The shares may have a little further to fall before they again find favour even with investors to whom the bank's safe but unexciting image appeals.

Abbey National

Share price relative to the FT-A Banks Index



Source: Datastream

Alcatel/ITT

Alcatel-Alsthom's purchase of ITT's minority stake in its telecoms subsidiary is a logical conclusion to what was always couched as a medium-term venture. On the face of it both parties benefit, ITT because it is realising a $400m net profit, Alcatel because it can now consolidate all the earnings of its most profitable division.

On closer inspection, though, Alcatel looks to have done the better of the two. It is buying the stake at a multiple of around 12 times this year's earnings. The generous structure of the cash payments should mean Alcatel will avoid any dilution when it reports its 1991 results a month from now. In addition, ITT's promise to hold its new shares for five years gives the group a useful defensive edge. It is perhaps thus less surprising that Alcatel's shares responded with a robust rise. In the race between Europe's telecoms giants the gap between it and Siemens and the likes of Ericsson is becoming ever wider.

Bank of England criticised by MPs

By **Ralph Atkins** in London

THE BANK of England will face sharp criticism from an all-party House of Commons committee next week for failing to take prompt action over fraud at the Bank of Credit and Commerce International.

The conclusions of the report, the second attack on UK financial regulation by MPs expected within days, are also understood to imply criticism of accountants Price Waterhouse for failing to identify the scale of fraud at BCCI before it collapsed in July 1991.

The report on BCCI, to be discussed today by the Commons' Treasury select committee, will follow a highly critical report on Monday from another Commons' committee on the UK pensions industry and the late Robert Maxwell. This report will also criticise Britain's regulatory system and call for widespread changes to the law governing pensions.

Criticisms of the Bank of England are likely to increase pressure on the government to help victims of BCCI's closure.

Ministers are understood largely to have escaped blame in the draft report. However, one opposition Labour MP on the committee – Mr Brian Sedgemore – is pushing for amendments blaming Mr John Major for not taking action earlier.

Mr Sedgemore contends that, as chancellor of the exchequer at the time, Mr Major should have acted when the Bank of England received reports of "false or deceitful" practices at BCCI as early as April 1990 – more than a year before its closure. Mr Sedgemore is threatening to vote against the report for being too lenient on the government. He has prepared extensive amendments, in effect amounting to a separate report.

Separately, the Treasury confirmed yesterday that Lord Justice Bingham's report into BCCI will not be ready before a possible April 9 election. Mr Norman Lamont, chancellor of the exchequer, said last year that he hoped it would be published before the election. This now seems highly unlikely.

A Treasury official said the Bingham report, which is expected to examine Mr Major's role in the affair, is likely to be released in "spring or early summer". The report is expected to reflect serious concern that the Bank of England failed to act swiftly enough.

In evidence to the committee, Mr Robin Leigh Pemberton, the Bank's governor, said that sufficient evidence of fraud to justify revoking BCCI's banking licence did not emerge until 1991.

The committee also heard from Mr Brian Quinn, the Bank's director in charge of banking supervision.

In particular, the MPs are expected to question the effectiveness with which the Bank exercised its regulatory functions – a lapse which led to substantial financial losses for many depositors and created a political storm.

Bank of Spain rescues Banco Ibercorp

Continued from Page 1

of which declined the offer.

The conservative opposition party, Partido Popular, has meanwhile accused the government of "covering up" the potential political implications of Ibercorp's collapse because it had blocked a parliamentary inquiry into the affair.

The ruling Socialist party had earlier said an inquiry was unnecessary because Ibercorp's stock broking activities were already under investigation by the Spanish securities commission, the CMNV.

Banco Inversion's initiative failed in part because the main banks refused to offer Inversion sufficient credit line guarantees to mount the rescue and in part because of Inversion's owner, financier Mr Jose Luis Varez, doubted Ibercorp's true book value.

The Bank of Spain's eventual intervention, which was precisely what Mr Rubio had attempted to avoid in recent days, was viewed as coming well past the eleventh hour when considerable damage had been already done to Ibercorp.

The public rescue is likely to prompt criminal proceedings against Ibercorp's Mr de la Concha and his co-chairman Mr Jaime Soto which might have been avoided if the affair had been efficiently resolved within the banking system.

Ibercorp's chairmen have been linked by the press to offshore companies which traded in Ibercorp shares at inflated prices and are alleged to have obtained interest-free loans from their group's parent bank.

WORLDWIDE WEATHER

		°C	°F			°C	°F
Ajaccio	S	14	57	Belgrade	F	11	52
Algiers	S	17	63	Berlin	C	8	46
Amsterdam	Dr	8	46	Biarritz	F	9	48
Athens	S	17	63	Bombay	S	34	93
Bahrain	S	18	64	Bordeaux	S	16	61
Bangkok	F	35	95	Boulogne	F	9	48
Barcelona	F	14	57	Brussels	R	8	46
Beijing	C	3	37	Budapest	F	11	52
Beirut	S	15	59	Buenos Aires	F	29	84
Belfast	S	10	50	Cairo	S	18	64

		°C	°F			°C	°F
Cape Town	S	23	73	Edinburgh	S	11	52
Caracas	C	28	82	Faro	F	15	59
Casablanca	F	15	59	Florence	S	17	63
Chicago	Fg	3	37	Frankfurt	S	10	50
Cologne	C	10	50	Geneva	S	10	50
Copenhagen	C	8	46	Gibraltar	C	15	59
Corfu	F	14	57	Glasgow	S	11	52
Dallas	C	17	63	Helsinki	C	3	37
Dublin	S	12	54	Hong Kong	R	22	72
Dubrovnik		-	-	Innsbruck	F	6	43

		°C	°F			°C	°F
Inverness	S	11	52	Luxembourg	C	7	45
Islamabad	F	22	72	Madeira	C	17	63
Istanbul	F	10	50	Madrid	F	12	54
Jakarta	R	30	86	Majorca	F	16	61
Jersey	S	10	50	Malaga	C	15	59
Johannesburg	S	15	59	Malta	F	16	61
Lima	F	28	82	Manchester	F	11	52
Lisbon	S	15	59	Manila	F	34	93
London	C	12	54	Melbourne	F	23	73
Los Angeles	R	13	55	Mexico City		-	-

		°C	°F			°C	°F
Miami	F	19	66	Nice	S	15	59
Milan	F	7	45	Nicosia	S	15	59
Montreal	S	-15	5	Oporto	S	16	61
Moscow	F	6	43	Oslo	F	6	43
Munich	C	9	48	Paris	C	11	52
Nairobi	F	29	84	Prague	S	7	45
Naples	S	16	61	Reykjavik	F	2	36
Nassau	F	26	79	Rhodes	S	16	61
New Delhi	S	27	81	Rio de Janeiro	C	27	81
New York	C	1	34	Rome	S	16	61

		°C	°F			°C	°F
Salzburg	[illegible]	[illegible]	[illegible]	Tenerife	[illegible]	[illegible]	[illegible]
San Francisco	[illegible]	[illegible]	[illegible]	Tokyo	[illegible]	[illegible]	[illegible]
Seoul	[illegible]	[illegible]	[illegible]	Toronto	[illegible]	[illegible]	[illegible]
Singapore	[illegible]	[illegible]	[illegible]	Tunis	[illegible]	[illegible]	[illegible]
Stockholm	[illegible]	[illegible]	[illegible]	Valencia	[illegible]	[illegible]	[illegible]
Strasbourg	[illegible]	[illegible]	[illegible]	Venice	[illegible]	[illegible]	[illegible]
Sydney	[illegible]	[illegible]	[illegible]	Vienna	[illegible]	[illegible]	[illegible]
Taipei	[illegible]	[illegible]	[illegible]	Warsaw	[illegible]	[illegible]	[illegible]
Tangier	[illegible]	[illegible]	[illegible]	Washington	[illegible]	[illegible]	[illegible]
Tel Aviv	[illegible]	[illegible]	[illegible]	Zurich	[illegible]	[illegible]	[illegible]

Temperatures at midday yesterday C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sunny Sl-Sleet Sn-Snow T-Thunder

FINANCIAL TIMES
COMPANIES & MARKETS
Wednesday March 4 1992

INSIDE

Fisons may halt move to reinstate US drug

Fisons, the UK pharmaceutical and scientific instruments company, said yesterday that it could abandon attempts to reinstate Imferon, an anaemia treatment banned by US regulatory authorities, into the US market because of production problems. Page 20

Thrifty Zeitgeist in America

The US has become a nation of savers, according to Donald Marron, chief executive of PaineWebber, the fifth largest securities brokerage in the US. The American population is ageing as has become increasingly pressed by lower real incomes, Wall Street is producing new equity-based savings products. And it appears that PaineWebber may have cleared out its weakest businesses just in time to cash in on this new *Zeitgeist*. Page 18

Big Blue's year of the executive

It could be described as the Year of the Executive at IBM. The sudden departure of two high-ranking executives, both regarded as potential candidates for the top job in the computer manufacturer, has generated intense speculation about Mr John Akers' successor. Traditionally, IBM chairmen choose their successors and many observers expect Mr Akers to select one of a group of second-tier executives in their 40s who hold some of the most challenging jobs in the company. Among those being considered as potential future leaders of Big Blue are Mr Bob LaBant (top left), vice president and general manager of IBM USA, and Mr James Cannavino (below left), general manager of personal systems. Page 16

Varity to cut more jobs

Varity, maker of Massey-Ferguson farm machinery and Perkins diesel engines, is to cut another 1,300 jobs and sell five subsidiaries as part of a new effort to cut losses. Page 15

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Daimler-Benz	768.5	+	11.6
Holzmann Ph	1230	+	21
Kaufhof	527.5	+	10
Linotype-Hell	363	+	7
Mercedes Hld	591	+	15
Siemens	699.5	+	11
SILIC	595	+	38
Union Immob Fr	500	+	16
Falls			
Navigation Mixt	1137	–	34
Skis Rossignol	801	–	19
UFB Locabail	312	–	18

NEW YORK ($)

Rises			
ITT	69¾	+	3⅛
Nutmeg Inds	24¼	+	3¾
Sant Fe Pacific	11¾	+	⅜
Toys 'R' Us	35¾	+	1¼
UAL	153	+	⅞
Falls			
Amdahl	18¾	–	1½

PARIS (FFr)

Rises			
Printemps (Au)	663	+	23

TOKYO (Yen)

Rises			
Bank of Kyoto	1060	+	80
Daito Seiki	2500	+	180
Dantani	530	+	45
Falls			
Dai-Ichi Kogyo	720	–	60
Daito Wool Spn	1860	–	160
Suzuki Motor	625	–	55

LONDON (Pence)

Rises			
AlexandraWkwr	55	+	3
Gen Accident	455	+	18
Gt Western Res	21	+	5
Haggas (J)	109	+	6
Hampden H'care	54	+	16
Hillsdown	162	+	8
INSTEM	93	+	18
Kleen-E-Ze	72	+	7
Lookers	117	+	18
News Corp	770	+	19
P & O Defd	384	+	16
Portsm'th&Sund	368	+	15
Reuters	1225	+	28
Unidare	300	+	10
Falls			
Abbey National	292	–	11
Bennett&Fount	14½	–	2½
Dalepak	418	–	15
Fisons	384	–	9
MTM	208	–	18
Sykes-Pickvnt	57	–	4
Wellcome	1025	–	41
Young Group	39	–	57

Oslo to give more cash to Christiania

By Karen Fossli in Oslo

NORWAY is expected to announce today a further cash transfer to Christiania Bank and demand that the bank implement tougher measures to improve margins and efficiency.

The announcement will coincide with the publication of Christiania's accounts for 1991 which, according to local analysts, will show a pre-tax loss in the region of NKr6bn ($931m) following credit losses of about NKr10bn.

Last December, the government took control of Christiania after the bank's equity had been wiped out by large trading losses. The government has already transferred NKr7.5bn to Christiania in order to avoid a technical insolvency.

Sources close to the bank said that it had not yet been decided how big the new state cash transfer would be. Christiania earlier warned that it would need fresh state support of at least NKr2bn to meet new equity capital requirements to be implemented by the end of this year.

The government is understood to have warned the bank to improve income – such as raising charges – cut costs and improve the performance of its loss-making loan portfolio. Also, the bank will have to come up with an improved organisational structure. Last autumn, under the leadership of Mr Borger Lenth, Christiania was reorganised into two divisions.

At that time the bank announced its intention to cut costs by NKr580m during 1992.

For the nine months ended September, 1991, the bank plunged into net losses of NKr7.3bn, against a 1990 loss of NKr555m. Credit losses rose to NKr3.79bn from NKr1.66bn.

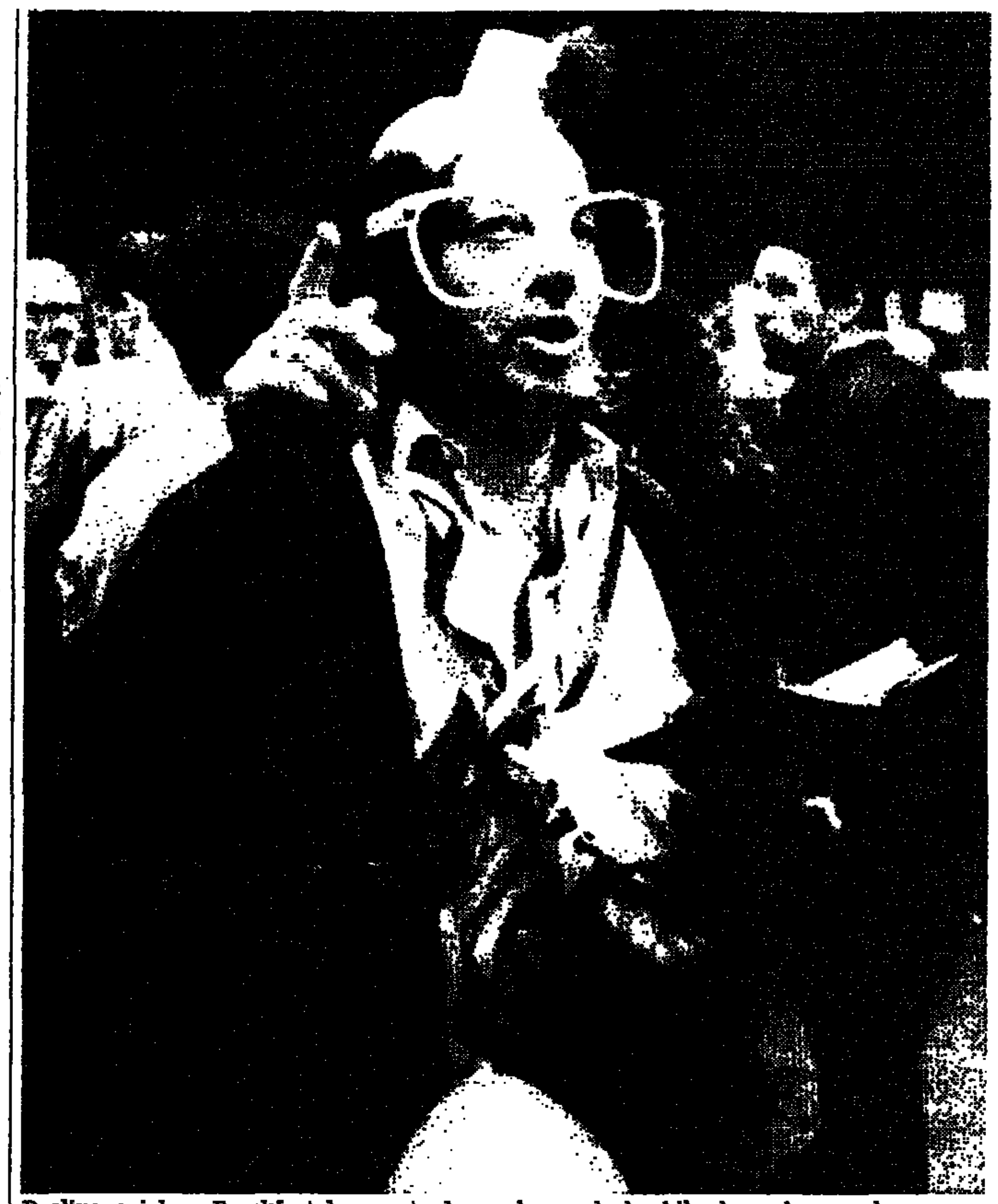
The state-backed Bank Insurance Fund, established with capital of NKr5bn and lifted late last year to NKr11bn, has been drained to about NKr550m by heavy claims for cash. It is widely expected that Mr Sigbjoern Johnsen, the finance minister, will have to call on parliament as soon as April for additional funds to prop up the country's ailing banking system.

Last October, Mr Johnsen obtained NKr11.5bn in state cash to help the banks but this time he is expected to be met by disgruntled politicians who will demand to know what the banks are doing to improve their situation.

● Fokus Bank, Norway's third biggest bank which fell into state hands in December, said last week that it expected BIF to contribute further to bolster its capital.

Fokus nearly doubled 1991 net losses to NKr2.1bn while credit losses rose to NKr1.8bn from NKr1.15bn.

Den Norske Bank has denied rumours that it was planning to seek additional state funding after recently unveiling a three-fold increase in 1991 net losses to NKr4.32bn.



Dealing a joker: Frankfurt bourse trader makes a deal while dressed as a clown. Traders on the floor of the Frankfurt stock market yesterday donned costumes, a traditional way of celebrating Carnival Tuesday. Market report, Page 35

BTR drops plans to restructure Hawker Siddeley

By Andrew Bolger and Andrew Baxter in London

BTR, the UK industrial conglomerate, has dropped plans to create a global electrical engineering business following its victory last November in the £1.5bn ($2.6bn) takeover of Hawker Siddeley.

In their first interview since capturing Hawker, BTR executives said they had been persuaded by their new employees not to put together Hawker's electric motors, transformers, switchgear and signalling businesses – a proposal which met some scepticism in the City of London during the fiercely contested bid.

Mr Robert Faircloth, BTR's new chief operating officer, is supervising the integration of Hawker. He said: "We took poetic licence to change our mind on some of these things."

He now believes that large electric motors, transformers and switchgear form a coherent business. Signalling will stay in the rail business, because of the shared customer base, although BTR says rail is one area where it feels it will be necessary to form a "strategic alliance" with another big group to survive in the competitive world market.

However, Mr Alan Jackson, BTR's chief executive, denied a recent report that he was still considering selling Hawker's rail equipment division to Siemens, the German electrical group.

Hawker had reached an advanced stage in talks on the sale of its rail business to Siemens. As part of its defence, Hawker unveiled plans to sell 60 per cent of its business and focus on three core operations – aerospace, electric motors and batteries.

Mr Jackson said BTR was not holding talks about the disposal of any Hawker assets.

Mr Faircloth said he had an open mind as to whether any business would be sold, but that BTR might end up retaining more than the 80 per cent of Hawker mooted during the takeover.

The Hawker companies have been told of BTR's profits record and expectations and are drawing up their own targets. Their future with the enlarged group will depend on whether they achieve those targets, although Mr Faircloth conceded it was a bad time to sell companies.

Mr Faircloth said many Hawker businesses were losing money and would need to to shed more jobs. He declined to give specific figures ahead of BTR's annual results next Wednesday.

Stefan Wagstyl on overseas groups hoping to find Japanese partners

Land of the rising foreign opportunity

US and European acquisitions of Japanese companies could rise sharply as foreign groups take advantage of weakness in Japanese stock and property markets.

Investment bankers in Tokyo said an increasing number of foreign companies were hiring advisers to seek potential partners.

They said overseas groups were particularly interested in acquiring distributors for their products to increase their knowledge of the Japanese market. Pharmaceutical companies are especially active.

Japanese purchases of foreign companies, however, still heavily outweigh foreign acquisitions of Japanese groups, in spite of the end of Japan's 1980s speculative boom.

Last year, foreign companies bought just 14 Japanese companies worth a total of Y173bn ($1.39bn) against 259 Japanese purchases of overseas companies worth Y684bn, according to Daiwa Securities, the stockbroker.

But corporate finance specialists said the number and value of deals would increase in 1992.

"The number of deals could double this year," said Mr Christopher Mackenzie, a Tokyo-based director of J. Henry Schroder Wagg, the UK merchant bank. "More than half our time is spent advising foreign companies on potential Japanese acquisitions, compared with 25 per cent last year and 10 per cent in 1990."

According to Daiwa Securities the market is active "below the surface", meaning many deals are being discussed but have yet to be announced.

However, Mr Isao Matsuura, a director of Sanwa Bank, sounded a note of caution. He said the level of foreign interest in making an acquisition had not changed dramatically.

But the decline in Japanese asset prices means those foreign companies which are that are interested are now in a better financial position to complete a purchase.

Industries in which foreign companies are keen to make acquisitions include pharmaceuticals, chemicals and some specialist areas of machine tools, said Mr Matsuura.

In the past few weeks, two deals have been announced.

Electronic Data Systems, a unit of General Motors of the US and a developer of computer systems, has said it would take a Y3.75bn stake in Japan Systems, a troubled Japanese computer systems company quoted on the over-the-counter market.

EDS plans to inject money into the Japanese company in return for shares which would give it a 19.9 per cent stake. Japan Systems, hit by a sharp decline in demand for software, will use the funds to repay bank debts.

Pfizer, the US drugs and chemicals group, has announced it will buy Koshin Medical, the privately owned Japanese distributor of medical equipment produced by Schneider, a Pfizer subsidiary.

The price was reported to be around Y3bn.

Even after a 45 per cent decline in the Japanese stock market in the past two years, Japanese equities are more highly valued in terms of price/earnings multiples than shares in the US and Europe.

However, some large Japanese groups are ready to sell non-core businesses to foreign buyers. And the owners of privately controlled small and medium-sized companies are increasingly looking to realise some or all of their investment.

Mr Thomas Lynch, a senior manager in Tokyo at Peat Marwick Finance Advisory, an arm of the international accountancy firm, said foreign companies were very interested and there was now a "a lot of pressure" to sell on the part of Japanese owners because the industry faced rationalisation with the coming liberalisation of many regulations.

Sulzer and Ebara in stake swap

By Ian Rodger in Zurich

SULZER Brothers, the Swiss engineering group, and Ebara, the leading Japanese pump maker, have agreed to take 5 per cent share stakes in each other.

The Sulzer shares for the transaction, valued at SFr68m ($44m), are to come from a 10 per cent block acquired by Swiss Bank Corporation (SBC) from the collapsed Omni group last year.

Ebara will issue convertible bonds to Sulzer.

Sulzer, which has done business in Japan since the beginning of this century, said the two groups were in talks about co-operation in the production of pumps and environmental and refrigeration systems.

The Swiss group noted that Ebara's activities were concentrated mainly in Japan. With Japanese markets becoming more open, Ebara saw a need to expand its presence in world markets. Sulzer, on the other hand, was weak in Asia.

In the pumps field, Sulzer estimated that there was a 50 per cent overlap between the two groups, with Ebara strongest in standard, mass-produced pumps and Sulzer ahead in engineered pumps.

Pumps have been a declining portion of Sulzer's business for some years, now accounting for only 8 per cent of group sales.

But the pump division is considered technologically strong and has annual sales of more than SFr500m.

Sulzer also revealed that the remaining 5 per cent of the share block held by Swiss Bank Corporation is to be kept by the bank as collateral against a new issue of Sulzer five-year convertible bonds launched yesterday.

The Sulzer board also decided that from today it would lift its refusal to register shares owned by foreigners.

The registered shares would be split 10 for 1 later this year.

The directors said they had still not succeeded in finding a purchaser for a 20 per cent block of shares formerly held by Omni.

Sulzer has said it wanted the stake to pass to a friendly industrial partner, but those with whom it had had talks demanded too much influence over the group's affairs.

ABB to sell instrumentation side

By Andrew Baxter in London

ASEA Brown Boveri, the Swiss-Swedish group, is putting up for sale its UK-based global instrumentation business as part of a strategy to concentrate on its core business of electrical engineering.

The sale is expected to generate substantial worldwide interest, as it represents a rare opportunity to purchase a large self-contained instrumentation business with a good strategic and market position.

The proposed sale comes only two years after ABB purchased the outstanding 45.6 per cent of Luton-based ABB Kent in a deal that valued the world's second largest manufacturer of water meters at £135m.

Two months later, ABB Kent became the lynchpin of a new process instrumentation group which included the Taylor Instrument division of ABB Combustion Engineering in the US.

The old Brown Boveri company had originally bought a stake in George Kent, the British instruments group, in 1974.

Morgan Stanley International in London has been retained as financial adviser for sale of the business group, which has major manufacturing operations in the UK, Italy, Germany and the US, annual revenues of nearly $450m, and employs about 4,500 people.

The business produces a wide range of instruments and control valves along with water meters.

Its principal companies are ABB Kent-Taylor, Kent Introl and Kent Meters.

ABB had foreseen the creation of a new business group when it bought out the minority shares in ABB Kent.

It had said in February 1990 that, given a highly competitive market and rapidly changing technology, there was a clear need for the co-ordination of product development, manufacturing and marketing.

Yesterday, ABB said that more than 50 per cent of the instrumentation business was related to water control and therefore not closely related to its core electrical business.

ABB would not comment on instrumentation business profits ahead of the engineering group's annual results due on March 18, except to say that the business was "doing well".

Mr John Notley, president of the instrumentation business and chief executive of ABB Kent, described business prospects as "pretty good". Conditions varied, with weakness in the US offset by good conditions elsewhere such as in Germany, which has benefited from reunification.

The instrumentation activities represent less than 2 per cent of ABB's total turnover – its 1990 sales were $26.7bn.

INTERNATIONAL COMPANIES AND FINANCE

General Accident deeper in red but holds payout

By Richard Lapper in London

RECESSION and crime-related losses pushed General Accident, the Perth-based composite (general and life) insurer, deeper into loss last year.

The company, the third big UK insurer to report a deficit for 1991, posted pre-tax losses of £171.6m ($300.3m), an increase of more than 40 per cent on the £121.3m loss registered in 1990.

The deficit emerged as GA decided to forfeit market share rather than keep rates low. UK premium income fell marginally to £1,172m from £1,175.9m for the previous year.

However, GA displayed confidence about the prospects of recovery this year by maintaining its dividend at 26.75p.

Worldwide underwriting losses of £569.1m, compared with losses of £461.7m for the previous year, were offset by higher investment income of £448.8m, against £429.9m in 1990, and higher life profits of £27m, against £25.2m.

Estate agency losses were £17.8m compared with £23.3m the previous year. Losses at NZI Bank amounted to £0.8m, compared with £6.3m. Interest on loans totalled £59.7m compared with £85.1m.

As with its competitors, GA suffered increased UK underwriting losses of £341.9m, against £230.9m for 1990.

Although GA has only a 4 per cent share of the mortgage indemnity market (insuring mortgage lenders for losses on sales of repossessed properties), losses related to such activities amounted to £45m.

Arson and theft claims were also higher, contributing to a rise in commercial property losses to £75.6m, compared with £65.7m in 1990.

Reserves for liability claims in the UK were strengthened by about £30m.

Reflecting on the increased loss of £113.9m on private and fleet motor business, Mr Bob Scott, general manager (UK), said: "The turnaround has been much slower than anticipated."

GA said it had plans to increase the scope of its GA 121 operation which sells insurance via a combination of mass marketing and telephone sales.

Lex, Page 12

Alusuisse to cut its dividend

By Ian Rodger in Zurich

ALUSUISSE, the Swiss aluminium, speciality chemical and packaging group, reports a steep fall in profits for last year and says its plans to cut its dividend.

Net profits tumbled 63 per cent to SFr101m ($67.7m). According to Alusuisse the main problem has been the collapse of aluminium prices.

The directors expect some improvement in results this year as the group continues to diversify away from its commodity-based activities. But they have nevertheless recommended cutting the dividend from 14 per cent to 10 per cent.

Sales were flat at SFr6.3bn, with aluminium sales amounting to just over half the total, chemicals 30 per cent and packaging 17 per cent. The group revealed a breakdown of its operating profits for the first time, with aluminium contributing SFr106m, chemicals SFr131m and packaging SFr83m.

Mr Theodor Tschopp, chief executive, said the group had curtailed its aluminium capacity by 20 per cent in response to the slump in metal prices and might have to cut it further if prices did not recover soon.

The directors also proposed a capital restructuring, consisting of converting the SFr250 bearer shares into one SFr125 bearer share and one SFr125 registered share. Participation certificates are also to be converted at the rate of 10 PCs for one SFr250 bearer share.

As part of the changes, the limit on ownership of registered shares in Alusuisse is to rise from 3 per cent to 5 per cent. The company plans a issue of bonus options to raise SFr17.5m.

Royal Bank of Canada up 10%

By Bernard Simon in Toronto

ROYAL BANK of Canada, the country's biggest financial institution, has demonstrated the resilience of Canada's banking industry with a 10 per cent rise in first-quarter income.

Despite a one-third jump in loan loss provisions, RBC lifted net earnings to C$256m (US$215m), or 73 cents a share, in the three months to January 31, from C$232m, or 70 cents, a year earlier.

Return on equity fell to 14.5 per cent from 15.3 per cent, due to a larger common equity base and extra dividends on two preferred share issues last year.

Return on assets, which averaged C$134.6bn in the latest period, improved to 0.76 per cent from 0.71 per cent.

The rise in profits stems mainly from the bank's international operations and record earnings at RBC Dominion Securities, its 74 per cent-owned securities subsidiary. International income jumped to C$97m from C$73m, with return on assets surging to 1.4 per cent from 1.03 per cent.

A bank official yesterday attributed the strong performance to higher loan fee and other fee income, wider interest margins, higher Third World interest payments, and the high quality of the bank's international assets.

The US accounts for about 35 per cent of the bank's non-Canadian assets of C$27.6bn.

Ferruzzi unit bids for Heracles Cement

By Kerin Hope in Athens

CALCESTRUZZI of Italy, part of the Ferruzzi group, has made the only firm bid for Heracles General Cement, Europe's largest cement exporter, which is the main attraction in Greece's privatisation programme.

The Italian group, bidding in partnership with the state-owned National Bank of Greece, has offered Dr107bn ($575m) for a 69 per cent stake in Heracles held by the Industrial Reconstruction Organisation (IRO), the state holding group for companies being denationalised.

If the bid is accepted, a new company, Calnat, will be set up to manage Heracles, in which Calcestruzzi will have a controlling interest, according to IRO officials.

The other short-listed bidder, Italcementi, one of the largest Italian cement producers, failed to submit a binding offer by the February 21 deadline.

However, Italcementi later offered to pay a higher price, reportedly around Dr120bn, but on condition that National Bank gives up its alliance with Calcestruzzi.

Co-operation with National Bank is considered essential because of a claim by Heracles' former managers that the nationalisation procedure which was followed in 1983, involving a compulsory capitalisation of $27bn in debt, violated European Community directives on company law.

The European Court is in agreement with the claim, but the case is likely to drag on for several years.

If the nationalisation is eventually reversed, IRO will lose its equity holdings in Heracles and National Bank will become its largest shareholder.

Heracles, which is listed on the Athens Stock Exchange, is one of the few profitable companies in the Greek privatisation programme.

Earnings for 1991 are expected to total Dr6.1bn on turnover of more than Dr60bn.

Abbey National gains 6% despite big loan provisions

By David Barchard in London

A STRONG performance by its treasury operation enabled Abbey National, the UK retail banking group, to report a 6 per cent rise in pre-tax profits last year, in spite of a heavy increase in its provisions against loan losses.

Abbey National, the UK's second largest mortgage lender with 13.8 per cent of the market, made pre-tax profits of £618m ($1bn) during 1991, up from £582m in 1990.

This made it the second most profitable UK banking group last year after Lloyds Bank. As a result, Abbey National increased its dividend by 10.5 per cent to 10.5p, up from 9.5p last year, the largest increase in the UK banking sector.

Mr Peter Birch, chief executive, said: "Abbey National's business is in good shape."

Mr Birch said that the bank is well positioned to continue its progress, having moved into life assurance during 1991 with the purchase of Scottish Mutual.

Group assets rose by 23 per cent, from £46.4bn in 1990 to £57.4bn. However, more than half of this balance sheet growth came from Abbey National's treasury operations, which contributed £62m to the overall pre-tax profits, up from £2m in 1990.

The performance of Abbey National's retail banking operations was less impressive. The bank's core mortgage lending operations shrank during the year as the market declined, with its total net UK lending down by 20 per cent, from £5.7bn in 1990 to £4.6bn last year.

Loan loss provisions almost trebled, rising from £55m in 1990 to £155m.

Mr Birch said that although repossessions were still at a high level, Abbey National had fared better than the mortgage lending industry as a whole and he believed that the bank had weathered the storm.

On the London market, Abbey National's shares fell by 11p to close at 282p after heavy trading.

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Background, Page 20

Bertelsmann in New York deal

By Alan Friedman in New York

BERTELSMANN, the German-based media and entertainment group, is spending $119m to purchase a 44-storey office block in the heart of New York's Times Square district.

The deal, one of the biggest Manhattan property transactions in recent years, was agreed with a group of lenders including Citibank, the US bank that led the consortium of 17 financial institutions which loaned $250m to complete the building in 1990.

The approval of the banks was needed because the actual owner of the 868,000 sq ft building is Broadway State Partners, a consortium of US and Japanese investors that has filed for protection from creditors under Chapter 11 of US bankruptcy law.

Mayor David Dinkins yesterday welcomed the purchase and Bertelsmann's decision to make the building the new headquarters of its US operations, including the Bantam Doubleday Dell publishing group and the Bertelsmann Music Group (BMG).

The purchase – for less than 50 per cent of the investment made just two years ago – underscores the dire state of the New York commercial real estate market.

It is understood that Citibank, which provided nearly 30 per cent of the $250m initial investment, last year wrote down a significant portion of its loan.

Bertelsmann expects to occupy two-thirds of the skyscraper, with 1,700 employees moving to the new headquarters. Remaining space will be available for sub-lease and internal expansion.

Mr Peter Olson, president of Bertelsmann Inc, said a benefit package provided by the City of New York was essential in making the transaction. Financial terms of the benefit package were not disclosed.

As part of its agreement with the city government, Bertelsmann will make over 100,000 sq ft of space to international companies not yet present in New York. In leasing the excess space, Bertelsmann has agreed to launch a marketing campaign in the US and Europe that will give priority to the international companies.

Bertelsmann's New York property investment comes when the German media giant is seeking to expand further its business areas. The company, whose BMG division controls RCA Records as well as Arista Records, recently made an offer to acquire Mr Richard Branson's Virgin Music Group.

Voest Alpine buys Manilla coal stake

VOEST ALPINE of Austria is to take a 40 per cent stake in the state-owned Semirara Coal of Manilla (SCC) under a debt restructuring agreement, AP-DJ reports from Manila.

According to the SCC president, Mr Manuel Domingo, the deal covered debts of Sch1.89bn ($163.4m) owed by SCC, of which Sch210m was converted into equity in SCC.

Voest Alpine's equity participation diluted the National Development Company's share in SCC to 56 per cent from 89 per cent and the Development Bank of the Philippines' stake to 4 per cent from 11 per cent.

Mr Domingo said the restructuring also paves the way for the increase of SCC's capitalisation from 475m pesos to 1.2bn pesos ($47.6m).

SCC is expected to earn a net income of 50m pesos to 100m pesos this year.

New bid to float stake in Elf Aquitaine

By Alice Rawsthorn in Paris

THE French government is making a second attempt at floating a 2.3 per cent stake in Elf Aquitaine, France's largest state-owned company, with the flotation scheduled for March 13.

Elf, which has extensive interests in oil and chemicals, was originally intended to float the stake, worth roughly FFr2bn ($356m), in December. However, Mr Pierre Bérégovoy, the French finance minister, decided to postpone the issue on the day of the proposed sale because of the depressed state of the Paris stock market.

The Paris market has rallied in recent weeks. The CAC 40 Index went through the critical level of 1,900 in the third week of February and has since strengthened. It closed at 1,984 yesterday, up 0.2 per cent on the day. Elf's own shares closed at FFr385, significantly higher than their price of FFr350.4 on the day that Mr Bérégovoy postponed the initial share sale.

Yesterday, the French government said the stock market was sufficiently buoyant for it to press ahead with the Elf sale. Mr Bérégovoy is expected to announce the price of the shares on March 13. After the sale, the government's stake in Elf will be reduced from 53.8 to 51.5 per cent.

The Elf sale is politically significant in that it is intended to be the first of a series of partial privatisations – sales of minority holdings in state-owned companies – proposed by France's socialist government. The government has already said it will also sell off stakes in a number of other companies including the state-controlled insurance groups and several industrial concerns.

The postponement of the Elf sale was seen as a blow to the government's hopes of orchestrating a successful partial privatisation programme. The response to the issue and the subsequent progress of Elf's share price will be closely scrutinised as pointers to the prospects for the whole programme.

Varity to axe jobs and sell units

By Bernard Simon in Toronto

VARITY, maker of Massey-Ferguson farm machinery and Perkins diesel engines, is to cut another 1,300 jobs and sell five subsidiaries as part of a renewed effort to staunch its losses.

Varity said the latest round of layoffs would cut its payroll to 16,800 by the end of the year. This level represents a 20 per cent reduction compared with two years ago, and only about a quarter of the workforce in the company's heyday in the late 1970s when it was known as Massey-Ferguson.

Victor Rice: staunch losses

Mr Victor Rice, Varity's chairman, said that the latest measures were a response to "severe and prolonged recessionary conditions" in its leading markets.

Besides farm and industrial machinery, Varity's interests include Kelsey-Hayes, a Michigan-based manufacturer of anti-lock brakes and other vehicle components. Automotive products now contribute more than 40 per cent of revenues.

Varity, which moved its head office last year from Toronto to Buffalo, New York state, hoped to return to the black in the middle of last year, but suffered a $62.7m loss for the nine months to October 31. Mr Rice said the company expected no near-term improvement in market conditions.

The restructuring will result in special charges of $110m, to be included in fourth-quarter results due for release later this month. About $70m of the total will reflect the writedown of five non-core businesses which are being put up for sale.

The company declined yesterday to identify the subsidiaries. Possible candidates include Pacoma, a German maker of cylinders, valves and other hydraulic equipment. Pacoma suffered a $12m operating loss in the nine months to October 31.

Varity's share price was unchanged yesterday on the Toronto stock exchange at C$14.50.

Howard Smith profits fall 75%

By Bruce Jacques in Sydney

HOWARD Smith, the Sydney-based shipping and engineering group, felt the sting of the Australian recession in the first half to December with a 75 per cent fall in net profits to A$25.67m (US$19.74m) from A$104.07m a year earlier.

The decline was in spite of a 7.6 per cent increase in sales to $352.2m from A$327.25m.

The interim dividend is being held at 10 cents a share.

A key factor in the result was a reduction from A$15.8m to A$6.9m in interest revenue following payment last year of a A$140.1m special dividend and capital return.

This payout capped a turbulent period for the company as it battled to throw off effective control by the Adelaide Steamships group, then headed by Australian entrepreneur Mr John Spalvins.

Howard Smith directors said the company had suffered from recession in both Australia and the UK, where it controls the Medway towage and salvage group.

"The impact of the recession is still being felt in all operating areas and no improvement in earnings is expected in the current half year," they added.

Salomon management changes continue

By Patrick Harverson in New York

CHANGES at the top of Wall Street securities house Salomon Brothers continued yesterday when Mr Robert Salomon replaced Mr Michael Holland as head of the asset management division.

Mr Holland left Salomon on Monday to become a vice-chairman at Oppenheimer, the fund management group.

Although the departure of Mr Holland was not directly related to fall-out from the bond trading scandal which engulfed Salomon last year and which led to a massive shake-up of the company's senior management, it is the latest in a series of top defections.

Last week, Mr Denis Bovins, a key executive in Salomon's investment banking department, left to join rival Wall Street firm Bear Stearns.

Mr Salomon, who is a direct descendant of the family that founded Salomon Brothers and who has been at the firm for 16 years, will take over the asset management unit at a time when demand from institutions and wealthy individuals for professional management of their money is booming.

Salomon Brothers Asset Management is only three years old, but in that time it has amassed more than $8.6bn in advisory assets, plus an additional $7bn in assets held by the Resolution Trust Corporation, the government agency overseeing the bail-out of the collapsed thrift industry.

Although the asset management division is still a small contributor to Salomon's total earnings – bond trading and sales remain the mainstay of the firm – it will play an increasingly important role in the future.

In common with many other big Wall Street firms, Salomon is expected to build up the parts of the company that provide a regular stream of fee-based revenues as insurance against the volatility of its earnings from traditional securities business.

Equitable Life surplus shrinks by further $290m

By Nikki Tait in New York

EQUITABLE Life Assurance Society, the third largest US insurer, has revealed it saw its surplus shrink by another $290m in 1991 – ahead of the $250m "surplus note" capital injection which Axa, the French insurer provided in early summer.

The "surplus" is essentially the policyholders' cushion, and changes from year to year are the best measure of a mutual company's profits or losses. After adding in the $250m surplus note injection and the mandatory securities valuation reserve, Equitable's statutory capital stood at $1.65bn at the end of 1991, compared with $1.69bn in 1990.

Equitable is currently a mutual insurer – that is, one which essentially belongs to its policyholders. It is in the process of converting to shareholder-owned status, and Axa is expected to acquire a very large minority stake at that stage, in return for a total $1bn investment made last July.

Equitable said it would "soon" be mailing the hefty documentation on this to more than 2m eligible policyholders entitled to vote on the matter.

The documents have been awaited for several days now, and two-thirds of those voting must be in favour.

The figures produced by Equitable for 1991 are particularly complex because of the demutualisation scheme. Instead of just providing "statutory" numbers, filed with the insurance authorities, Equitable is also disclosing how its figures would look of a GAAP (Generally Accepted Accounting Principles) basis. GAAP accounting, which is more conservative, is used by all publicly-held US corporations.

Under GAAP, Equitable shows a $898.1m loss, with $307.8m coming from continuing operation, $561.9m from discontinued operations and a $28.4m charge for demutualisation costs. The loss for discontinued operations refer to the guaranteed investment contracts, an expensive form of contract, where Equitable has now written off its losses. The write-off was taken in one year under GAAP, but spread under the statutory system.

A $370m write-up of the Alliance Capital subsidiary was also disallowed under GAAP.

Digital seeks 7,000 job cuts

By Louise Kehoe in San Francisco

DIGITAL Equipment is offering early retirement to about 7,000 of its US employees, or over 10 per cent of the computer company's US workforce, in its latest effort to reduce costs.

Digital has been struggling to reduce employment for two years in the face of flat sales and depressed profitability. The company employs about 119,500 people worldwide, including 60,300 full-time workers in the US.

The early retirement programme, the first of its kind offered by Digital, applies to all US employees over the age of 50 with five years or more service with the company, and is voluntary.

The company said the voluntary programme was in addition to existing Digital severance programmes.

Since September 1989, when the job reduction programmes were initiated, about 12,450 people have left the company, excluding normal attrition and retirements.

All but 5,550 of these job cuts were mandatory.

For its second fiscal quarter, ending in December, Digital reported net losses of $138m on revenues of $3.5bn.

Digital has taken a total of $1.6bn in restructuring charges over the past two years to cover the cost of plant closings, consolidations and work force reductions.

Roche to promote new drug

By Daniel Green

ROCHE, the Swiss drug company which is one of the largest and fastest-growing in the industry, yesterday extended its involvement in genetic engineering by signing a deal to promote a new cystic fibrosis drug, DNase, made by Genentech of the US.

DNase should be approved by 1994. Sales could be as high as $250m a year, and Roche will develop and promote the drug in Europe.

It could also have applications for bronchitis sufferers, although approval would take several years.

The deal is the latest in a series following Roche's acquisition two years ago of a 60 per cent stake in Genentech for $2.1bn. Genentech was one of the pioneers in genetic engineering.

Last year, Roche paid $300m for a genetic engineering production process called PCR developed by Cetus, another Californian drug company.

INTERNATIONAL COMPANIES AND FINANCE

IBM plans to compete directly with 'clones'

By Louise Kehoe in San Francisco

INTERNATIONAL Business Machines plans to launch a range of lower-priced computers that will compete directly with the many "clones" of its original products. The move is a bid by IBM to recharge its sluggish personal computer sales.

Outlining the company's strategy to maintain profitability and market share, even as personal computer prices plummet, Mr James Cannavino, president of IBM's personal systems division, says he will transform the PS/1 home computer into a broader range of machines aimed at price-conscious buyers.

IBM will offer two lines of personal computers – its "premium" PS/2 line, with leading edge technology and support services for business users, as well as an "industry standard" PS/1 range that competes with the lowest priced clones. The PS/1 range will be sold primarily through large-volume retail outlets and mail order companies.

"The error we made was to think that the PS/2 was a one-size-fits-all product line," says Mr Cannavino. Many buyers, particularly in the US, now choose personal computers simply by price, he acknowledges.

In this "commodity" segment of the market, IBM's share of personal computer sales has fallen sharply.

IBM's new PS/1 line will span the full range of performance – from popular 386-based machines through the more powerful 486 models, and ultimately the next generation of 586 computers, based on a new Intel microprocessor. They are expected to be launched later this year.

IBM is "one of the very lowest cost manufacturers in the [personal computer] industry," Mr Cannavino maintained. Dispelling reports that IBM will shift much of its personal computer manufacturing to south-east Asia, Mr Cannavino said: "Labour costs are not much of an issue, because the labour content in constructing a personal computer is very small."

Instead, he said, the goal is to continually improve manufacturing efficiency by shortening the manufacturing cycle – from component purchases to computer sales.

IBM is also considering joint manufacturing projects similar to its venture with Toshiba of Japan, which produces liquid crystal display screens for portable personal computers.

Perhaps IBM's greatest challenge is to maintain its "premium" product image while also taking advantage of its lower cost manufacturing capabilities to compete in the low-price segment of the personal computer market.

Yet IBM is hardly alone in struggling to maintain its position in the rapidly changing personal computer market.

Compaq Computer, similarly, is overhauling its product strategy while trying to reduce costs. Many second and third-tier manufacturers are also facing extreme price pressures.

New generation eyes seat of power

Louise Kehoe and Alan Cane on John Akers' search for a successor

WANTED: Executive with broad experience, proven track record and strong leadership qualities. Must be under 50 years of age and willing to sit on the sidelines for at least two years before taking on one of the most demanding jobs in corporate America.

THIS is a pivotal year for top executives at International Business Machines. Those who fail to live up to the expectations of its chairman, Mr John Akers, will find their careers slowing abruptly. Those with ambitions to become chairman will have to produce the financial results to justify their claims.

The sudden departure of two of the company's highest ranking executives, both of whom had at one time been regarded as potential candidates for the top job in the computer manufacturer, has generated intense speculation about Mr Akers' successor.

Mr Michael Armstrong, a senior vice-president and heir-apparent, announced recently that he was leaving to become chairman and chief executive of Hughes Aircraft. A few days later, Mr George Conrades, a former general manager of IBM USA, said he was leaving.

Mr Conrades is seen as the most obvious victim of Mr Akers' tough new policy with his senior executives. He was demoted to a staff post last year when IBM's domestic performance failed to meet expectations.

Under normal circumstances Mr Akers would be expected to give up the chairmanship in late 1994 when he turns 60. IBM has only occasionally waived its strict retirement policy – in 1988 the then joint vice-chairman, Mr Caspar Cassani, was asked to stay a further year. This year, Mr Jack Kuehler, the company's popular president, agreed to stay on beyond his planned retirement in September.

These are far from normal times for IBM, however. The company has just weathered the worst year in its history, with sales slipping over 6 per cent to $64.79bn and a net loss, after charges, of $2.83bn.

Mr Akers' chairmanship is under pressure. The six years since he took over have been marked by declining competitiveness and drastic measures to make up lost ground.

Bob LaBant (left) and James Cannavino: favourites to emerge as the chairman's heir-apparent

The latest, put in train last year, aims to transform the company into a holding company with dozens of operational units that work independently, yet retain access to IBM research laboratories and other resources.

There is no guarantee the plan will succeed in time to allow Mr Akers to make a graceful exit. Transforming IBM's ingrained hierarchical culture will be a slow and difficult process, many observers believe. For Mr Akers – and his top lieutenants – renumeration is tied to results. As a result, Mr Akers' pay could be cut 40 per cent, to less than $1.6m, this year.

Indeed, Mr Akers may be the only IBM executive who is not engaging in private speculation about the management race. He is said to be in no mood to discuss his retirement plans. He would like to complete the ambitious restructuring process. This is unlikely to be completed by the end of 1994 and he might wish to remain for another year or two.

That could explain Mr Armstrong's move. Insiders insist he wanted to be a chief executive, but at 53, his age counted against him at IBM.

IBM would want its new chairman to have 10 years in the role, according to Mr Sam Albert, a former IBM executive with close ties to the company. That criterion would rule out company veterans such as Mr Terry Lautenbach (53), Mr David McKinney (57) and Mr Steven Schwartz (57).

Whether the main board, if asked, would allow Mr Akers to stay on is another matter. Traditionally, IBM chairmen, with the board's blessing, choose their successors. Now some suggest that for the first time IBM may look outside for a new chief executive.

Most observers, however, expect Mr Akers to hand over to one of a group of second-tier executives, in their mid to late 40s, who are being counted on to improve the performance of key sectors in the toughest economic climate IBM has ever experienced.

They include Mr Bob LaBant, 46, vice-president and general manager of IBM USA, Mr James Cannavino, 47, general manager of personal systems, Mr Ned Lautenbach, 48, president of IBM Asia Pacific (and Terry Lautenbach's brother), and Mr Bernard Puckett, 47, general manager of applications solutions.

Long shots include Mrs Ellen Hancock, 48, general manager of networking systems and Mr Renato Riverso, chairman of IBM World Trade for Europe, Middle East and Africa.

The smart money, however, seems to be on Mr LaBant and Mr Cannavino. Both have charm, energy and a willingness to talk to outsiders with an openness that would have seemed foreign to the company 10 years ago.

Mr LaBant made his name as the manager of IBM's successful mid-range computer business. Its Rochester, Minnesota, manufacturing site last year won the coveted Malcolm Baldrige award for quality. An amusing speaker, he presents his arguments with a clarity which must have scored high marks in his progress through the company.

Mr Cannavino, the enigmatic head of IBM's personal computer business, has a key role in two of IBM's most important alliances – an agreement with Groupe Bull focused on IBM's workstation technology, and a partnership with Apple designed to develop new microprocessors and software for personal computers.

Mr Cannavino – someone who has addressed industry conferences wearing a T-shirt disguised as a tuxedo – hardly fits the traditional IBM mould, but he is very much the man of the moment. As a colleague of his remarked, the strait-laced executives of the past are no longer heroes at IBM.

Ned Lautenbach has been in charge of Asia-Pacific operations for a year. However, he is not thought to score as highly on charisma and leadership as his brother Terry, who is on the company's five-man management committee.

Mr Puckett is a dark horse. Little known outside IBM, his name always comes up when the succession is discussed. He is general manager of IBM's applications solutions line of business, responsible for putting together hardware and software to solve customers' problems. He previously ran the mainframe division.

Much will now depend on how each contender performs over the next 12 months. Running the world's largest computer company in such trying times has proved a bed of nails for Mr Akers. As he ponders on his successor, he might well ask himself who would really want the job.

Keppel posts 22% rise in net profit

By Joyce Quek
in Singapore

KEPPEL, the Singapore shipbuilder, yesterday announced a 22 per cent rise in 1991 group net profits to S$144.72m (US$88.2m), up from S$118.20m a year earlier.

Turnover rose 20 per cent to S$1.68bn from S$1.4bn on the back of the completion of several large contracts at Shiprepair and Offshore Specialised Shipbuilding, the group's main subsidiary.

Keppel benefited in the second half from strong revenue from ship repair, at S$459.6m against S$385.1m.

Keppel Bank, the banking and financial services, saw a strong advance, boosted by a newly acquired subsidiary. The group's property activities also had better results.

Group operating profit expanded 19 per cent to S$243.4m from S$204.5m. Net interest income increased to S$18.5m from S$15.4m, while associates' contributions lifted pre-tax profits to S$270.7m from S$225.0m.

However, attributable profits fell to S$160.6m from S$161.2m due to lower extraordinary gains.

With large contracts in hand and demand for most of the group's services remaining strong, Keppel expects to maintain the 1991 level of operating results, although the business environment may be somewhat uncertain this year.

Keppel will continue to seek opportunities locally but will place greater emphasis on overseas expansion, particularly in the Pacific region.

Its operations include a ship repair centre in Singapore, profitable shipyards in the Philippines and a joint venture in India.

INTERNATIONAL CAPITAL MARKETS

Strong rise in home sales adds to Treasuries gloom

By Patrick Harverson in New York and Tracy Corrigan in London

A STRONG rise in home sales, improved leading indicators and upbeat remarks on the economy from the chairman of the Federal Reserve left bond prices lower yesterday, although late short-covering lifted the market off the bottom.

In late trading, the benchmark issue had recovered from an early ¾-point fall and was down 1/32 at 100⅛, yielding 7.924 per cent. The two-year note also bounced back from initial losses, and by late afternoon was unchanged at 99¾, yielding 5.442 per cent.

Prices opened easier and lost further ground on the news that US home sales rose 12.9 per cent in January, more than double the expected increase, and that the index of leading economic indicators had risen 0.9 per cent in January. They were the latest sets of data to point to a recovery in the housing market.

GOVERNMENT BONDS

Sentiment took a further knock when Mr Alan Greenspan, the Fed chairman, said that the recent easing of monetary policy was "clearly working", and that he believed there was probably sufficient stimulus in the system to ensure a recovery. However, as he did at other recent Congressional appearances, Mr Greenspan left the door open for further interest rate cuts, which would act as a form of policy "insurance" if economic growth was too sluggish.

■ THE COMBINATION of the yen's weakening against the US dollar and the overnight drop in the US Treasury bond market helped push Japanese government bond prices lower yesterday.

The dollar traded at Y130.05 in Tokyo on optimism about the state of the US economy, compared with Monday's Tokyo close of Y129.53. Traders said there was no sign of central bank intervention in Tokyo trading as the Japanese currency weakened.

The benchmark No 129 bond opened with a yield of 5.41 per cent and closed at 5.44 per cent. The key June futures ended at 101.90, down from Monday's close of 102.18, having traded in a range of 101.86-102.14. Meanwhile, overnight unsecured call rates eased slightly, trading at around 5.56 per cent yesterday.

The market is waiting for Friday's quarterly "Tankan" report from the Bank of Japan in the hope that it will encourage a cut in the official discount rate. The report is expected to show growing pessimism among businessmen over the state of the Japanese economy.

■ BUDGET and election worries prompted profit-taking in the UK government bond market yesterday, with long-dated issues losing over a quarter of a percentage point.

Traders noted some switching from long-dated gilts into shorter maturities, but said market participants saw little scope for a significant advance in gilt prices over the next few weeks because of the UK Budget and election campaign.

Trading was mainly futures-driven, with yesterday's volume of 29,000 contracts well above average. The benchmark 11¾ per cent gilt due 2003/07 fell from 116⅛ to 115⅜. Among short-dated stocks, the 10 per cent gilt due 1996 slipped from 102⅛ to 102.00.

■ GERMAN government bonds regained their early losses to close higher on the day, with the March Liffe bund futures contract rising from its opening of 88.07 to trade at 88.19 by late afternoon.

Traders noted some switching out of five-year bunds into shorter-dated issues, mainly two-year paper. The market remained fairly quiet because of the holiday in the futures market, only 23,000 March futures contracts and about 24,000 of the June contracts were traded. The June futures contract takes over from the March contract this week.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	98.4646	-0.192	10.08	10.01	10.12
BELGIUM		9.000	08/01	102.1000	-0.100	8.65	8.68	8.82
CANADA*		8.500	04/02	98.8200	-2.600	8.32	8.45	8.35
DENMARK		9.000	11/00	102.5500	+0.100	8.56	8.57	8.60
FRANCE	BTAN	8.500	05/97	98.2000	+0.003	8.69	8.72	8.81
	OAT	8.500	11/02	100.3200	-0.150	8.44	8.46	8.58
GERMANY		8.000	01/02	101.1500	-	7.82	7.89	7.86
ITALY		12.000	02/02	98.1700	+0.020	12.14†	12.18	12.24
JAPAN	No 119	4.800	06/99	94.9982	-0.368	5.78	5.75	5.67
	No 129	6.400	03/00	105.2857	-0.326	5.45	5.36	5.34
NETHERLANDS		8.250	02/02	100.2500	-0.100	8.21	8.26	8.35
SPAIN		11.300	01/02	103.6700	+0.020	10.68	10.73	10.82
UK GILTS		10.000	11/96	102-00	-03/32	9.46	9.42	9.59
		9.750	08/02	103-24	-07/32	9.23	9.31	9.41
		9.000	10/08	95-18	-09/32	9.17	9.11	9.19
US TREASURY*		7.500	11/01	100-17	-7/32	7.42	7.40	7.30
		8.000	11/21	100-28	-7/32	7.92	7.91	7.79

London closing, *denotes New York closing session. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Wellcome offer likely to follow BT pattern

By Simon London

THE international offering of shares in Wellcome, the UK pharmaceuticals company, is likely to be modelled on the £5.5bn BT share sale last December, bankers said yesterday.

Wellcome Trust, which funds medical research, said this week it planned to sell a portion of its 73.6 per cent stake in the company, possibly reducing its holding to 25 per cent. This would entail a share sale in the region of £4.5bn.

Robert Fleming, the UK merchant bank, has been appointed global co-ordinator for the sale.

The only precedents for such a large secondary sale of stock are BT and the £7.5bn sale of BP shares, which was disrupted by the stock market collapse in October 1987.

INTERNATIONAL EQUITY ISSUES

The BT sale broke new ground for a UK offering in several respects:

● The global co-ordinator for the deal, S.G. Warburg, ran a single global book for the issue, rather than reserving a portion for UK institutional investors;

● The shares were priced following a "blind auction" in which institutional investors were encouraged to place indicative bids for stock in the three weeks before the pricing. This may not be copied by Wellcome, although a book-building process will take place in the weeks before the final pricing.

● Investors received an over-allocation of stock, which was bought back by the lead bank to stabilise the share price immediately after the sale.

These techniques were used to introduce competition among investors bidding for the stock. the

However, the discount cannot be eliminated entirely, since investors will demand an incentive to buy new shares rather than the outstanding stock. In the BT sale, institutional investors paid 350p for new shares, against 342p in the secondary market. However, investors paid for the new shares in instalments, reckoned to be worth 20 to 25p per share.

Instead of offering Wellcome shares partly-paid, Wellcome Trust could offer warrants for the purchase of more shares at a future date. It is committed to retaining a 25 per cent holding for five years.

Officials of Instituto Bancario San Paulo di Torino, one of the largest Italian banks, were in London this week making presentations to institutional investors ahead of its L6,250bn equity offering. UK bankers reported a positive response to the presentations and expect the deal to be priced on March 9 towards the lower end of the L12,000 to L14,000 per share indicated range.

On the same date, shareholders in Banco Commercial Portugese, the largest Portuguese bank, will meet to approve plans for the second stage of privatisation.

In addition to a one-for-10 rights issue and a bonus issue to existing shareholders, the bank is planning an American depositary receipt programme in the US and the launch of a convertible bond issue in the international market. If approval is received, the bond issue is expected to raise around Es30bn, but will probably be denominated in Ecu.

Danes' two-tier shares defended

DIFFERENTIAL voting rights for A and B shareholders should be maintained in Denmark, a panel on corporate law, which acts as official adviser to the industry ministry, has recommended, writes Hilary Barnes. EC proposals for the abolition of the system have met strong opposition.

Skandia Finans to diversify

SKANDIA Finans, a wholly-owned subsidiary of Foersaekrings Skandia, the Swedish insurance group, plans to expand its operations by opening a brokerage house, AP-DJ reports from Stockholm.

The application for the new company, to be called Skandinavien Fondkommission, was submitted yesterday to the government for approval.

Skandia Finans will be the sole owner and provide SKr52m of capital.

Mr Lars Lundquist, who was appointed president, said: "We believe there is a place for us on the market." Institutional investors and big private investors were seen as potential clients, he added.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on March 3

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN 9 1/8 94	200	105⅞	106⅛	-⅛	6.61
ALBERTA PROVINCE 9 3/8 95	600	107⅞	108	-⅛	6.92
AUSTRIA 8 1/2 00	400	105	105½	-⅛	7.63
BANK OF TOKYO 8 3/8 96	100	103¾	104	-⅛	7.42
BELGIUM 9 5/8 98	250	109⅝	110	-⅛	7.64
BFCE 7 3/4 97	150	101⅞	102⅛	-⅛	7.32
BNP 8 5/8 94	300	105⅛	105⅜	-⅛	6.14
BRITISH GAS 8 3/8 99	350	103½	104	-⅛	7.73
CANADA 9 96	1000	107⅛	107⅜	-⅛	6.75
CARCO 9 1/4 96	650	102⅞	103⅛	-⅛	8.46
CCCE 9 1/4 95	300	107⅜	107⅝	-⅛	6.46
COUNCIL EUROPE 8 96	100	103⅛	103⅝	-⅛	7.10
CREDIT FONCIER 9 1/2 99	300	110	110⅜	-⅛	7.60
DENMARK 8 1/4 94	150	104½	105	-⅛	6.19
DENMARK 9 1/4 95	1571	107¼	107½	-⅛	6.56
ECSC 8 1/4 96	193	104¼	104⅝	-⅛	7.15
EEC 8 1/4 96	100	104⅛	104⅜	-⅛	7.09
EIB 7 3/4 96	250	102⅞	103¼	-⅛	6.98
EIB 9 1/4 97	1000	108⅜	108⅞	-⅛	7.38
ELEC DE FRANCE 9 98	200	106⅞	107⅛	-⅛	7.54
EURO CRED CARD TST 9 94	325	103⅞	104½	-⅛	7.34
EUROFIMA 9 1/4 96	100	107⅛	107⅜	-⅛	7.15
EXPORT DEV CORP 9 1/2 98	150	109	109½	-⅛	7.64
FINLAND 7 7/8 97	200	101½	102⅛	-⅛	7.49
FINNISH EXPORT 9 3/8 95	200	107⅛	107⅜	-⅛	7.03
FORD CAPITAL 9 3/4 97	250	105⅞	106⅜	-⅛	8.34
GEN ELEC CAPITAL 9 3/8 96	300	107⅝	108⅛	-⅛	7.22
GMAC 9 1/8 96	200	104¼	104⅝	-⅛	7.85
GUINNESS FINANCE 8 94	200	103⅜	103⅝	-⅛	6.39
IBM INTL FIN 7 3/4 94	200	103⅛	103⅞	-⅛	6.00
IND BK JAPAN FIN 7 7/8 97	200	101⅞	102	-⅛	7.53
INTER AMER DEV 7 5/8 96	200	102	102½	-⅛	7.08
ITALY 8 1/2 94	1500	105⅞	106⅛	-⅛	6.01
JAPAN DEV BK 8 94	150	104	104⅛	-⅛	6.00
KANSAI ELEC PWR 10 96	350	109⅜	109⅞	-⅛	7.25
LTCB FIN 8 97	200	101	101½	-⅛	7.74
NEW ZEALAND 9 94	850	105⅞	106	-⅛	6.45
NIPPON CRED BK 10 3/8 95	150	108⅞	109⅜	-⅛	7.35
NIPPON TEL & TEL 9 3/8 95	200	107⅝	108	-⅛	6.59
ONTARIO 8 1/2 01	600	102⅛	102½	-⅛	8.16
ONTARIO HYDRO 11 5/8 94	300	109½	110¼	-⅛	6.24
OSTER KONTROLLBANK 8 1/2 01	200	104⅜	104¾	-⅛	7.81
PETRO-CANADA 7 1/4 96	200	100⅝	101	-⅛	7.13
QUEBEC HYDRO 9 3/4 98	150	108⅞	109⅜	-½	7.97
QUEBEC PROV 9 98	200	105⅛	105⅝	-½	7.90
SAINSBURY 9 1/8 96	150	105⅝	106	-⅛	7.67
SAS 10 99	200	106	106⅜	-⅛	8.81
SBAB 9 1/2 95	500	107⅛	107⅜	-⅛	6.86
SNCF 9 1/2 98	150	109¼	109⅝	-⅛	7.60
STATE BK NSW 8 1/2 96	200	103⅛	103⅜	-⅛	7.61
SWEDISH EXPORT 8 3/8 96	700	104½	104⅞	-⅛	9.55
TOKYO ELEC POWER 8 3/4 96	300	105½	106	-⅛	7.25
TOKYO METROPOLIS 8 1/4 96	200	104¼	104⅝	-⅛	7.17
WORLD BANK 8 3/8 99	1500	105⅛	105⅜	-⅛	7.55
WORLD BANK 8 3/4 97	1500	107½	107⅝	-⅛	7.07
XEROX CORPN 8 3/8 96	100	101⅞	102⅛	-	7.88

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN AMRO 8 1/2 96	500	101⅛	101⅝		8.12
AUSTRIA 6 3/4 99	750	94⅛	95⅛	-	7.73
BNP 8 1/4 01	200	102½	103		7.86
DEUTSCHE FINANCE 7 1/2 95	1000	98⅝	98⅞		7.99
EIB 5 3/4 98	400	90⅝	90⅞	-⅛	7.85
EIB 6 1/4 99	600	91⅞	92⅛	-⅛	7.84
EUROFIMA 8 3/4 96	400	103	103½	-⅛	7.92
FIRST INTERSTATE 5 3/4 96	100	87⅛	87⅝	+⅛	9.58
FORD MOTOR CREDIT 9 1/4 94	300	100⅛	100⅜		9.15
IND BK JAPAN FIN 5 5/8 96	200	91⅛	91⅜	-⅛	8.23
INTER AMER DEV 9 00	300	107	107½	-⅛	7.86
IRELAND 6 1/2 99	300	93	93½		7.84
LUFTHANSA INT FIN 5 7/8 98	500	89⅛	89⅝	-⅛	8.17
NAT BK HUNGARY 10 3/4 98	500	100	100¼		10.72
SWEDEN 6 1/8 98	300	92⅛	92⅜	-	7.81
TURKEY 10 3/4 96	500	101	101¼		10.43
WORLD BANK 0 15	2000	21⅛	22⅛		6.62
WORLD BANK 5 3/4 96	300	92⅞	93⅛	+⅛	7.92
WORLD BANK 8 3/4 00	1250	105⅛	105½	+⅛	7.85

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ASIAN DEV BANK 6 10	100	91½	92¼		6.81
AUSTRIA 4 5/8 98	100	90⅝	91	-⅛	6.66
CHUBU ELEC POWER 6 3/4 01	300	100	100½		6.74
COUNCIL EUROPE 4 3/4 98	250	91¼	91½	+½	6.57
EEC 5 1/2 00	100	91½	92¼		6.82
EIB 6 1/2 98	600	100¼	101	-⅛	6.34
ELEC DE FRANCE 7 1/4 06	100	103⅛	104	+⅛	6.85
FINLAND 5 3/8 95	150	96	96½	+½	6.63
GENERAL MOTORS 7 1/2 95	100	99½	100⅜		7.68
JAPAN DEV BK 5 1/2 94	100	96¼	97	+⅛	7.65
KOBE 6 3/8 01	240	98¾	99¼		6.55
NEW ZEALAND 4 7/8 99	200	90½	90⅞	-⅛	6.63
QUEBEC HYDRO 5 08	100	77½	78½		7.46
WORLD BANK 5 03	150	86	87		6.80
WORLD BANK 7 01	600	103⅛	104	-⅛	6.44

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
AUSTRIA 4 3/4 94	30000	99⅛	99⅜		5.25
CREDIT FONCIER 5 1/4 94	20000	99⅜	99⅝	-⅛	5.49
DENMARK 7 95	40000	104½	104⅞	-⅛	5.28
EIB 4 5/8 94	40000	99⅛	99⅜	-⅛	4.93
ELEC DE FRANCE 5 5/8 96	20000	100⅜	100⅝	-⅛	5.52
FINLAND 6 3/4 96	50000	103⅝	103⅞	-⅛	5.79
INTER AMER DEV 7 1/4 00	30000	109⅜	109⅝	-⅛	5.78
KANSAI ELEC PWR 4 5/8 94	60000	98⅝	98⅞	-⅛	5.56
NIPPON TEL & TEL 5 7/8 96	50000	101⅞	102	-⅛	5.42
NORWAY 5 1/8 95	50000	99½	99¾	-⅛	5.30
SNCF 6 3/4 00	30000	106⅜	106⅞	-⅛	5.70
SWEDEN 5 5/8 95	20000	100½	101	-⅛	5.45
WORLD BANK 6 3/4 00	50000	107⅛	107⅜	-⅛	5.62

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAYERISCHE VEREINS INT 7 94 LFr	600	94	95		9.91
COPENHAGEN TEL 8 5/8 96 LFr	600	98¼	99¼	-½	9.17
WORLD BANK 8 96 LFr	1000	96⅞	97⅞	-⅛	8.96
ENERGIE BEHEER 8 3/4 98 Fl	500	103¼	103⅝	+⅛	8.09
UNILEVER 9 00 Fl	500	105¼	105⅝		8.10
ALBERTA PROVINCE 10 5/8 96 C$	500	105⅛	105½	-½	9.02
BELL CANADA 10 5/8 99 C$	150	105⅞	106⅜	-⅛	9.46
BRITISH COLUMBIA 10 96 C$	500	103⅛	103⅝	-½	9.02
EIB 10 1/8 98 C$	130	104⅜	105⅛	-⅛	9.06
ELEC DE FRANCE 9 3/4 99 C$	275	103⅜	103⅝	-½	9.14
FORD CREDIT CANADA 10 94 C$	100	100⅞	101½	-⅛	9.59
GEN ELEC CAPITAL 10 96 C$	300	103⅜	103⅝	-½	9.06
KFW INT FIN 10 01 C$	400	103⅞	104⅛	-⅛	9.34
NIPPON TEL & TEL 10 1/4 94 C$	200	104⅞	105⅛	-⅛	9.31
ONTARIO HYDRO 10 7/8 99 C$	500	106⅜	106⅞	-⅛	9.59
OSTER KONTROLLBANK 10 1/4 99 C$	150	105¼	105⅝	-⅛	9.22
QUEBEC PROV 10 1/2 98 C$	200	104⅛	105¼	-⅛	9.50
BELGIUM 9 1/8 96 Ecu	1250	102	102¼		8.51
CREDIT LYONNAIS 9 96 Ecu	125	99¼	100⅛		9.21
DENMARK 7 5/8 96 Ecu	250	94¼	95⅛	-⅛	9.35
EEC 7 5/8 94 Ecu	200	97⅛	97⅝		9.28
EIB 10 97 Ecu	1125	106¼	106½	-⅛	8.40
FERRO DEL STAT 10 1/8 98 Ecu	500	106⅜	106⅝		8.68
ITALY 10 3/4 00 Ecu	1000	112⅛	112⅝	-⅛	8.61
UNITED KINGDOM 9 1/8 01 Ecu	2750	104½	104⅝	-⅛	8.39
BP AMERICA 12 1/4 96 A$	100	107	107½		10.04
COMM BK AUSTRALIA 13 3/4 99 A$	100	114½	114⅞	-⅛	10.81
EKSPORTFINANS 12 3/8 95 A$	75	108⅜	108⅞		9.28
EUROFIMA 14 5/8 94 A$	75	111	111½	-⅛	8.82
MCDONALDS CANADA 15 95 A$	100	113⅛	113⅝		10.05
NAT AUSTRALIA BANK 14 3/4 94 A$	150	109⅝	110¼		9.06
STATE BK NSW 14 1/4 99 A$	100	116	116¼	-⅛	10.99
UNILEVER AUSTRALIA 12 98 A$	150	107⅛	108	+⅛	10.25
VOLKSWAGEN INTL 15 94 A$	100	110½	111		9.31
ABBEY NATL TREAS 13 3/8 95 £	100	107⅞	108⅛		10.18
ALLIANCE & LEICS 11 3/8 97 £	100	103⅛	103½	-⅛	10.54
BRITISH GAS 12 3/4 95 £	300	106⅞	107⅛	-⅛	9.98
BRITISH LAND 12 1/2 16 £	150	107⅛	107⅝	-⅛	11.93
DEUTSCHE BK FIN 11 94 £	225	101⅞	102¼		9.83
EIB 10 97 £	536.5	101⅝	101⅞		9.56
FINLAND 10 1/8 97 £	100	101½	102		9.73
ITALY 10 1/2 14 £	400	104⅝	104⅞	-⅛	9.99
LAND SECS 9 1/2 07 £	200	88⅞	89⅜	-⅛	11.03
NORWAY 10 1/2 94 £	200	101¼	101½		9.75
ONTARIO 11 1/8 01 £	100	105⅜	106⅛		10.11
SEVERN TRENT 11 1/2 99 £	150	104⅜	104⅞	-⅛	10.59
SKANDINAVISKA ENSK 13 1/8 95 £	100	106⅝	107		10.52
TOKYO ELEC POWER 11 01 £	150	106⅛	106½	-⅛	9.94
WORLD BANK 11 1/4 95 £	100	103⅝	104⅛		9.84
ABBEY NATIONAL 0 96 NZ$	100	65⅞	66⅞	+⅛	9.53
BNP 12 96 NZ$	50	108½	109½		9.40
CEPME 10 95 FFr	2000	102⅛	103⅛		8.97
ELF-AQUITAINE 9 99 FFr	600	100⅞	101⅛		8.82
EURATOM 7 5/8 98 FFr	500	92⅞	93⅛		9.17

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
ALLIANCE & LEICS 0.08 94 £	300	99.49	99.63	10.7675
BANCO ROMA 0.03 01	200	92.68	94.04	4.4050
BELGIUM 1/16 97 DM	500	99.96	100.06	9.6875
BFCE -0.02 96	350	100.20	100.30	4.9175
BNP 05	300	97.14	98.07	5.5625
BRITANNIA 1/10 96 £	150	99.06	99.25	10.7875
CCCE 06 ECU	200	99.92	100.02	9.8594
CITIZENS FED 0.15 96	100	99.42	99.88	5.9625
CREDIT FONCIER -1/16 98	200	100.15	100.26	5.3438
DENMARK -1/8 96	1000	99.64	99.74	4.1875
DRESDNER FINANCE 1/32 98 DM	1000	99.95	100.05	9.5938
ELEC DE FRANCE 1/8 99	400	101.54	102.18	5.2500
FERRO DEL STAT 94	200	101.02	101.34	4.4375
HALIFAX 1/10 94 £	200	99.91	100.02	10.5375
IRELAND 98	300	99.63	99.73	4.4600
ITALY 00	500	101.00	101.27	4.5000
LEEDS PERMANENT 1/8 96 £	200	99.35	99.54	11.0000
LLOYDS BANK 1/10 PERP S 3	600	78.64	80.64	4.5375
MITSUI FIN ASIA 1/8 96	100	99.98	100.08	5.9375
NAT WEST FIN 3/16 05	400	92.96	94.25	5.5000
NEW ZEALAND 1/8 96	250	100.25	100.35	4.8130
RENFE 98	500	100.06	100.17	5.0000
SOCIETE GENERALE 96	300	99.83	99.93	5.6250
STATE BK VICTORIA 0.05 99	125	98.75	99.00	4.3625
UNITED KINGDOM -1/8 96	4000	100.00	100.04	4.2500
YORKSHIRE BS 1/10 94 £	165	99.59	99.69	10.5375

CONVERTIBLE BONDS	Issued	Conv. price	Bid	Offer	Prem.
BURTON GROUP 4 3/4 01 £	110	2.38	129	130⅜	
CHUBB CAPITAL 6 98	250	86	103⅞	104⅞	+33.33
EASTMAN KODAK 6 3/8 01	300	50.67	102¼	103¼	+16.34
GOLD KALGOORLIE 7 1/2 00	65	1.0554	85⅛	86¼	+45.61
HANSON 9 1/2 06 £	500	2.5875	101⅛	102	+20.60
HAWLEY 6 02 PREF	400	19.1	89⅛	91⅛	
HILLSDOWN 4 1/2 02 £	150	3.97	117⅞	118⅞	
LAND SECS 6 3/4 02 £	84	6.72	83⅛	84⅛	+25.81
LASMO 7 3/4 05 £	90	5.64	76⅛	77⅛	
MITSUI BANK 2 5/8 03	200	2337½	70⅛	72⅛	+19.90
MOUNT ISA FIN 6 1/2 97	100	2.283	96	97	+16.34
OGDEN 6 02	85	39.077	82⅞	83⅞	+38.55
SEGA ENTERPRISES 3 1/2 96	200	13018	105⅛	106⅛	+0.55
SMITH & NEPHEW 4 02 £	90	1.775	122¼	123¼	+44.51
SUMITOMO BANK 3 1/8 04	300	3605.9	63⅛	64⅛	+26.64
TEXAS INSTRUMENTS 2 3/4 02	300	82⅞	90½	91½	
THORN EMI 5 3/4 04 £	103	7.45	120⅞	121⅞	+11.59

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price: the amount issued is in millions of currency units. Chg. day = Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread = Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn = The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

S&P plans to widen credit risk services

By Patrick Harverson

STANDARD & Poor's, the US rating agency, is planning to widen its coverage of credit risk. New services would provide customers with ratings on risks associated with complex derivative instruments and the defaulted debt of distressed companies.

The agency has set up a six-person working group that will "look at ways to complement its current ratings service by providing additional information describing risks other than pure credit risks in transactions", said Mr Tom Gillis, a managing director at S&P.

The group hopes to complete its study and have proposals drawn up by the end of the second quarter of this year.

Mr Gillis said changes were being considered because S&P's ratings need to reflect the growing complexity of debt instruments.

The working group will also look at improving ratings of bonds in default. "After a bond defaults, depending upon the issuer, investors will get back different amounts. We would like to comment on what those various amounts might be," Mr Gillis said.

INTERNATIONAL CAPITAL MARKETS

Treasury market sell-off affects Eurodollar paper

By Tracy Corrigan

PLACEMENT of more than $1.5bn of fresh paper in the Eurodollar bond market yesterday was hampered by a sharp sell-off in the US Treasury market for the second day running.

Further signs that the US economy is starting to recover prompted concern that interest rates are unlikely to fall further. While the US Treasury market was the hardest hit, with traders reporting large liquidations of positions even before the opening of New York trading, the Eurodollar bond market was also affected by changing sentiment.

Swap spreads collapsed as counterparties willing to pay the fixed-rate side of the transaction evaporated. With substantial portions of unsold paper launched at the start of the year still on underwriters books, retail-targetted deals, which generally take several weeks to filter down distribution networks, suffered most.

INTERNATIONAL BONDS

The African Development Bank, which made its debut offering in the dollar sector yesterday, proved virtually immune to the wave of negative sentiment. The deal, arranged by Swiss Bank Corporation, met strong investor demand, due to its triple-A rating and its rarity value, as well as an extensive run of pre-marketing.

ARGENTINA'S largest private sector commercial bank, Banco Rio de la Plata, is set to launch a bond of up to $100m in the international market tomorrow, writes Stephen Fidler.

The three-year bonds, the first for a private commercial bank since the market reopened to Argentine borrowers in late 1990, will carry a coupon of 9¾ per cent. They are expected to be priced to yield 3.75 percentage points over US Treasury paper, suggesting an issue price of below 100. An underwriting group will be led by Merrill Lynch. Argentine private sector companies have issued $321m of bonds since late 1990.

The main shareholder of the bank, with assets of $1.7bn and a capital to assets ratio of 4:1, is Fundacion Perez Companc, a foundation formed and owned by the Perez Companc family, whose members also control a further 33.7 per cent of the shares.

Mr Roberto Ruiz, a bank director, said the bonds were being sold against a backdrop of an improving Argentine economy. Argentina's banking system was well capitalised and the indebtedness of its domestic corporate and consumer markets was low.

The deal was priced at a yield spread of 38 basis points above the 10-year Treasury yield, reflecting the marked difference in perception of the African Development Bank's credit, compared with other triple-A rated international agencies like the World Bank.

The African Development Bank, which plans to raise around $1bn this year in the financial markets, hopes to reduce this pricing differential over a period of time. The proceeds of the deal were unswapped, as the bank was keen to lock in low dollar interest rates.

Two US companies, Du Pont and Phillip Morris, which are well regarded by Swiss investors, launched aggressively priced offerings totalling $250m each via Credit Suisse First Boston. In a difficult market, these retail-targetted deals attracted few takers.

Du Pont's 10-year deal was priced to yield 45 basis points above the 10-year Treasury, while Phillip Morris' five-year paper was launched at a spread of 60 basis points above the curve. Both traded outside fees, and, despite the declining Treasury market, the yield spreads widened by three and five basis points respectively.

A $300m five-year deal for IMI Bank International, the Italian financial institution, and a $350m four-year deal for Chubu Electric Power, the Japanese power company, were both considered fairly priced but also suffered from the fall-out.

PaineWebber salesmen tune in to Zeitgeist

Ian Hargreaves examines the securities brokerage's changing strategy for the 1990s

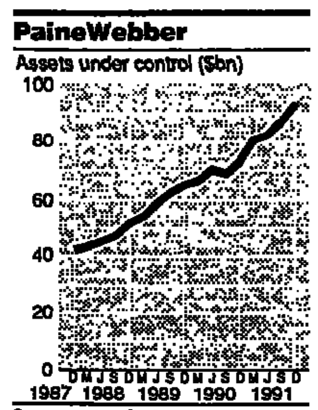
YOU only have to look at PaineWebber's current television commercials to see how much the atmosphere on Wall Street has changed since the Roaring Eighties.

The spots show mini-dramas – mother-daughter anxieties, early retirement, kids off to college, ageing parents heading for the nursing home – with a punchline that says secure futures were achieved because of timely and sympathetic interventions by the PaineWebber salesman. The firm's slogan for the campaign is: "We invest in relationships."

This image of wholesome reliability is very much in tune with the times, and it is one that is breeding success. Today, PaineWebber is the fifth largest securities brokerage in the US with a network of 4,700 brokers, and last year it rode buoyant stock and bond markets to earn record after-tax profits of $150.7m.

Yet PaineWebber's route to success over the past decade has been somewhat circuitous, taking in a botched merger and an advance into, then a retreat from, investment banking. Along the way it got involved in some injudicious arbitrage and banking deals, including one calamitous bridge loan to Federated Department Stores in 1988 which forced the company to take an undisclosed reserve to cover future losses.

PaineWebber has also drawn back from venture capital and trading on its own account. Yet, while others made megabucks in the debt-driven deal-making of the 1980s, PaineWebber was searching for more reliable pastures. As a result,



for most of that period, the company looked plain dull.

Today, however, it seems PaineWebber may have cleaned out its weaker businesses and focused on its strengths just in time to cash in on the new *Zeitgeist*. This, at least, is the view of Mr Donald Marron, who has been the company's chief executive since 1980.

"In the 1980s, people talked about the consumer products they wanted. Now they talk a lot about saving and investment." The American population, he says, is ageing and, pressed by falling real incomes since the late 1980s, faces a change in the pensions outlook and the burden of the highest health costs in the world.

The US, says Mr Marron, has become a nation of savers. So why has this not shown up in the savings ratio figures? "Because they measure the wrong things," he says.

At the same time, Americans have also seen their most straightforward route to protecting savings against inflation – the easily purchased certificate of deposit – undermined by tumbling real interest rates. With house prices also weak, conditions could not have been better for the smiling stockbroker to suggest a nice line in mutual funds or a new retirement account. This new demand for equity-based savings products has not just enriched the brokers and fund managers, it has also contributed hugely to the boom in stock prices.

PaineWebber is certainly not the only firm to have done well in these circumstances. Others, from the giant Merrill Lynch to more specialised firms such as A.G. Edwards and discount brokerage Charles Schwab, have also enjoyed sharp earnings growth.

But Mr Marron argues that his own firm has a strategy which will enable it to continue its relative prosperity, and permit it to grow more rapidly outside the US as well. The company already has a Japanese link through insurance group Yasuda Mutual Life, which owns an 11.7 per cent stake in PaineWebber.

Now Mr Marron is interested in finding an European partner. "The basic idea would be to exchange distribution systems. We could distribute their products and they could distribute ours." PaineWebber already claims to be one of the top three London-based distributors of US equities to institutions.

The underlying game plan is to increase the quality of PaineWebber's revenues, retaining a strong balance sheet, and focusing more carefully upon what the customer wants, and

Donald Marron: US has become a nation of savers

preferring business lines which offer recurrent fee income – less glamorous than other parts of the securities business, but perhaps more reliable.

At the same time, PaineWebber is working hard to control costs. Overall, 1991 was a good year for the firm in this respect, although the biggest category of expenses, employee compensation, rose by almost 19 per cent, mainly because buoyant stock prices and the rush of individual investors to the market fuelled a sharp rise in performance-related pay.

In practice, the strategy's success will be determined by how good the company is at devising new products and services – what Mr Marron calls the "manufacturing" side of the business – and selling them to individual investors and savers and to financial institutions – the "distribution" side. It is highly competitive, but Mr Marron says foreign competition has eased up somewhat, the savings and loans remain in disgrace, and the banks seriously weakened.

One benchmark of progress is the rate at which the total volume of assets controlled by PaineWebber has grown. As the chart shows, the curve has been satisfactory in recent years, reaching $93.2bn in 1991.

It is this figure which PaineWebber sets alongside its salaries bill, pointing out that the average investment executive in 1991 was covering $20.8m of assets – double the level of five years earlier.

Mr Marron says of the costs outlook, that PaineWebber can extract further economies of scale from its New Jersey computer complex, but that elsewhere: "I don't see any big decline from here. Costs are where they are." He would, however, like to bolster the size of the company's retail operations.

PaineWebber is also busy training and retraining staff for the mission of managing Main Street's savings, preparing the company for the economic recovery. "When the economy turns, there will be more leverage than we all think, because there's been a big cultural change," Mr Marron says. "All businesses are more aware of costs and more aware of focusing on higher profit margin activities."

Yet despite the bullish stock market, the booming broking business and improved economic outlook, Mr Marron does not foresee a return to high-living on Wall Street. "I think we will look back at the late 1980s and say that it was a warped period in our industry," he says.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Chubu Electric Power(a)†	350	7	100	1996	25/15bp	UBS Phillips & Drew
African Devt Bank(a)†	300	7⅞	99.74	2002	32.5/20bp	SBC
IMI Bank Int.(a)†	300	7⅝	99¾	1997	1⅞/1.675	JP Morgan Secs.
Philip Morris(a)†	250	7½	101.6025	1997	1⅞/1.675	CSFB
EI Du Pont de Nemours(a)†	250	8	101½	2002	2/1½	CSFB
Republic of Turkey(b)†	150	8½	100	1997	1¼/⅝	Bankers Trust Int.
Japan Radio Co.(a)Φ	150	3	100	1996	2¼/1½	Nikko Europe
Taisei Prefab Constr (a)Φ	100	3	100	1996	2¼/1½	Yamaichi Int.
FRENCH FRANCS						
World Bank(a)†	1bn	8⅞	98.736	2000	30/15bp	CCF
LIRE						
ENEL(c)†	500bn	10⅝	101.60	2002	1⅞/1¼	Bca.Commerciale Italiana
D-MARKS						
Showa Highpolymer(a)Φ	50	4⅞	100	1996	2¼/1½	Daiwa Europe GmbH
Nikkiso Corp(d)★★‡†	40	(d)	100.30	1997	-	Dai-Ichi Kgyo.Bk
SWISS FRANCS						
KYC Machine Ind.(a)★★Φ	50	3½	100	1996	-	SBC
KYC Machine Ind.(e)★★§	20	3¼	100	1996	-	SBC

★★Private placement. §Convertible. ΦWith equity warrants. ‡Floating rate note. †Final terms. a) Non-callable. b) Put option 20/3/95 at par. Coupon payable semi-annually. c) Fungible with existing L500bn deal. Callable from 1999 at 100¾%. d) Coupon pays 35bp over 6-month Libor. Non-callable. e) Put option 20/9/94 at 108⅝% to yield 6.99%.

Bowater gains cheap finance from vendors

By Sara Webb

BOWATER, the UK packaging and printing group which announced plans to acquire two specialist packaging companies for £444m on Monday, has agreed cheap financing from the vendors. The agreements are seen as a sign that the vendors were desperate to get rid of the companies concerned.

Although the purchase of DRG Packaging and Cope Allman Packaging is to be financed mainly by a £333.5m rights issue, Bowater has agreed to borrow a total of about £300m at between 5 per cent and 6.3 per cent, which is well below the London interbank offered rate (Libor).

Bowater is paying Pembridge Investments £212m for DRG Packaging. At the same time, Société de Banque Thomson, the French finance house which controls Pembridge Investments, has agreed to help finance the acquisition with a four-year £157m loan carrying an interest rate of 6.3 per cent.

One of the parties involved in the deal – who asked not to be named – said the low interest agreed on the loan financing was "merely a way of covering up the fact that the vendor is making a loss on the sale of DRG."

Such financing by a vendor to assist with the sale of a company is not unusual, but the interest rate in this case is considered very low.

Bowater is also buying Cope Allman for £232m, of which £200m will be used to pay off existing debt. The debts include loans of £100m to ADT, the security and car auction business which owns 49 per cent of Quoteplan, Cope Allman's vendor.

As part of the deal, Bowater will receive a £50m five-year loan at 5 per cent from ADT Finance BV, a company which is associated with the vendor.

LVMH places FFr1.5bn of notes

LVMH, the French luxury goods group, has placed privately FFr1.5bn of repackaged subordinated notes – Titres Subordonnes a Duree Indeterminee, or TSDIs, Reuter reports from Paris.

LVMH said the operation, yielding net available cash of FFr1.1bn, will refinance part of its long-term debt as it reaches maturity as well as short-term borrowings used to fund the group's 1991 acquisitions. The issue was placed with leading European and Japanese banks.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tue Mar 3 1992 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj. 1992 to date	Mon Mar 2 Index No.	Fri Feb 28 Index No.	Thu Feb 27 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (178)	796.39	+0.2	8.29	5.99	15.42	1.41	795.03	795.89	795.86	863.52
2	Building Materials (23)	970.18	-0.4	7.17	6.41	18.80	0.44	973.62	976.31	978.15	1163.09
3	Contracting, Construction (28)	904.84	+1.0	8.68	8.07	16.66	1.32	896.12	893.94	896.53	1406.83
4	Electricals (7)	2429.43	-0.2	10.17	6.17	12.37	1.47	2434.60	2442.31	2441.27	2365.15
5	Electronics (26)	1860.20	+0.3	9.76	4.61	12.98	1.86	1854.05	1858.34	1857.95	1810.51
6	Engineering-Aerospace (8)	336.04	+0.3	12.18	7.73	9.98	5.78	334.90	333.15	331.01	458.90
7	Engineering-General (43)	491.90	+0.1	9.42	4.80	13.10	1.21	491.52	493.90	493.59	440.15
8	Metals and Metal Forming (10)	321.63	+0.5	2.15	10.65	-	0.00	319.99	321.97	325.93	488.62
9	Motors (14)	311.50	-0.9	8.16	7.63	16.29	0.00	314.22	313.45	313.76	351.23
10	Other Industrial Materials (19)	1598.45	+0.4	7.67	5.15	15.46	0.69	1591.44	1590.84	1587.34	1502.53
21	CONSUMER GROUP (188)	1680.13	+0.2	7.12	3.33	17.19	4.74	1677.39	1686.14	1681.55	1375.06
22	Brewers and Distillers (23)	2116.06	-0.1	7.58	3.35	15.90	7.92	2117.41	2126.72	2127.60	1708.09
25	Food Manufacturing (18)	1266.18	-0.2	8.53	4.04	14.47	2.11	1268.48	1271.40	1267.24	1139.02
26	Food Retailing (17)	2664.36	+0.5	8.23	3.11	15.69	4.06	2649.98	2685.08	2692.05	2517.81
27	Health and Household (24)	4345.77	....	6.19	2.40	18.32	15.12	4344.00	4367.19	4338.32	3000.02
29	Hotels and Leisure (23)	1295.49	-0.4	7.18	5.20	17.36	8.54	1300.31	1306.95	1311.17	1345.71
30	Media (24)	1586.16	+0.9	6.16	3.45	20.42	2.97	1572.05	1564.54	1560.20	1371.56
31	Packaging Paper & Printing (17)	763.98	+0.6	6.87	4.38	17.38	0.22	759.73	760.02	756.01	627.18
34	Stores (32)	1078.34	+0.5	6.84	3.35	19.36	1.91	1073.13	1082.38	1077.69	872.05
35	Textiles (10)	650.33	....	7.05	4.78	18.09	0.53	650.08	659.00	653.63	512.51
40	OTHER GROUPS (116)	1238.77	+0.4	9.72	5.34	12.97	6.41	1233.79	1238.16	1239.54	1167.00
41	Business Services (16)	1398.89	-0.1	6.57	4.60	19.35	0.27	1400.79	1404.36	1397.84	1109.43
42	Chemicals (21)	1513.61	+0.4	6.95	4.84	17.60	0.59	1507.74	1511.20	1505.48	1255.03
43	Conglomerates (11)	1338.22	+0.1	10.66	7.56	11.45	3.18	1336.47	1341.36	1344.72	1530.39
44	Transport (14)	2424.56	+0.3	5.24	4.67	25.23	2.46	2417.52	2411.16	2425.45	2185.83
45	Electricity (16)	1251.97	+1.0	14.48	5.94	8.98	17.21	1239.33	1239.04	1236.63	1121.06
46	Telephone Networks (4)	1425.84	+0.7	11.00	4.40	11.87	16.02	1416.46	1421.90	1420.54	1314.22
47	Water (10)	2468.08	+1.1	17.28	6.44	6.37	0.00	2441.96	2488.22	2488.12	2445.21
48	Miscellaneous (24)	1794.38	-0.5	5.71	5.44	23.91	1.18	1802.93	1812.53	1834.30	1861.57
49	INDUSTRIAL GROUP (482)	1316.95	+0.2	8.13	4.42	15.33	4.43	1313.81	1319.04	1317.63	1189.67
51	Oil & Gas (18)	2055.64	+0.8	9.30	6.91	14.15	36.07	2038.63	2045.78	2055.86	2339.71
59	500 SHARE INDEX (500)	1386.69	+0.3	8.25	4.68	15.20	6.70	1382.54	1387.97	1387.34	1286.95
61	FINANCIAL GROUP (86)	732.04	+0.7	-	6.23	-	2.61	727.04	723.18	723.54	817.97
62	Banks (9)	916.71	+0.6	4.11	5.89	57.19	6.20	911.57	904.95	903.24	903.30
65	Insurance (Life) (6)	1452.83	+0.6	-	5.88	-	0.00	1444.62	1452.12	1462.90	1466.70
66	Insurance (Composite) (7)	480.01	+2.4	-	7.96	-	0.00	468.62	463.89	465.83	707.42
67	Insurance (Brokers) (10)	1001.23	+2.0	7.72	6.67	17.04	2.37	981.40	969.19	967.64	1084.62
68	Merchant Banks (7)	473.85	+0.1	-	4.52	-	0.00	473.20	473.33	470.25	409.31
69	Property (33)	734.43	-0.6	7.83	6.18	17.48	0.93	738.96	734.79	735.80	1040.63
70	Other Financial (14)	246.73	+0.2	8.07	7.07	16.37	0.89	246.34	247.12	247.47	278.93
71	Investment Trusts (68)	1193.86	+0.1	-	3.70	-	4.11	1192.48	1193.03	1191.05	1158.86
99	ALL-SHARE INDEX (654)	1230.64	+0.3	-	4.83	-	5.72	1226.46	1229.84	1229.38	1171.35

	Index No	Day's Change	Day's High (a)	Day's Low (b)	Mar 2	Feb 28	Feb 27	Feb 26	Feb 25	Year ago
FT-SE 100 SHARE INDEX♦	2565.4	+11.1	2569.7	2550.3	2554.3	2562.1	2562.0	2565.0	2546.8	2420.1

FIXED INTEREST

	PRICE INDICES	Tue Mar 3	Day's change %	Mon Mar 3	Accrued interest	xd adj. 1992 to date
	British Government					
1	Up to 5 years (27)	122.75	....	122.75	2.20	1.65
2	5-15 years (25)	136.74	-0.19	137.00	1.79	3.11
3	Over 15 years (9)	148.18	-0.31	148.64	2.89	0.88
4	Irredeemables (6)	163.53	-0.27	163.98	2.27	1.50
5	All stocks (67)	134.91	-0.14	135.10	2.09	2.40
	Index-Linked					
6	Up to 5 years (2)	170.38	+0.06	170.28	0.18	1.37
7	Over 5 years (9)	149.50	+0.07	149.39	0.69	0.90
8	All stocks (11)	151.23	+0.07	151.13	0.61	0.95
9	Debs & Loans (62)	118.38	-0.05	118.44	2.18	2.07

	AVERAGE GROSS REDEMPTION YIELDS		Tue Mar 3	Mon Mar 2	Year ago (approx.)
	British Government				
1	Low	5 years	8.60	8.57	9.37
2	Coupons	15 years	9.17	9.13	9.69
3	(0%-7¾%)	20 years	9.17	9.13	9.79
4	Medium	5 years	9.39	9.37	10.29
5	Coupons	15 years	9.25	9.20	10.10
6	(8%-10¾%)	20 years	9.22	9.17	10.04
7	High	5 years	9.63	9.61	10.43
8	Coupons	15 years	9.34	9.29	10.27
9	(11%-)	20 years	9.28	9.24	10.21
10	Irredeemables	†	9.36	9.33	10.04
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	3.54	3.55	3.75
12	Inflation rate 5%	Over 5 yrs.	4.29	4.30	4.15
13	Inflation rate 10%	Up to 5 yrs.	2.88	2.88	2.33
14	Inflation rate 10%	Over 5 yrs.	4.11	4.12	3.96
15	Debs &	5 years	10.81	10.80	11.86
16	Loans	15 years	10.62	10.60	11.61
17		25 years	10.46	10.45	11.40

♦Opening index 2556.1; 9 am 2552.0; 10 am 2558.6; 11 am 2559.8; Noon 2564.9; 1 pm 2566.7; 2 pm 2567.5; 2.30 pm 2565.6; 3 pm 2562.5; 4.10 pm 2565.4; (a) 1.40pm (b) 8.54am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, 2nd Floor, 126 Jermyn Street, London SW1Y 4UJ. Tel: 071-925 2323.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	10	52	18
Other Fixed Interest	2	9	6
Commercial, Industrial	287	246	942
Financial & Property	123	107	560
Oil & Gas	17	16	59
Plantations	0	4	5
Mines	41	19	90
Others	55	33	44
Totals	535	486	1,724

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. u Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. x Ex-dividend. F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ‡ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

LONDON TRADED OPTIONS

[illegible]

Option		May	Aug	Nov	May	Aug	Nov
Brit Aero	300	39½	52½	55½	11	14½	18½
(*326)	330	22½	34	40½	20	27½	34
Lonrho	110	10½	20½	22	4	8½	11½
(*117)	120	6	14½	16¾	8	13½	17

FT-SE Index Calls 597 Puts 1,242
Euro FT-SE Calls 616 Puts 562
Eurotrack 100 Index Calls 0 Puts 0
*Underlying security price. † Long dated expiry months. Premiums shown are based on middle prices.

TRADITIONAL OPTIONS

- First Dealings March 2
- Last Dealings March 13
- Last Declarations June 11
- For settlement June 22

3-month call rate indications are shown on this page.

Calls in **Aberdeen Petrlm., ASDA, Ashley Grp., Blacks Leis., GRE, Ivernia West, Pittencrieff, Proteus Intl., Ratners, Taylor Woodrow and United Energy. Puts in Ratners and Speyhawk. Puts and calls in Cluff Res. and Tullow Oil.**

TRADITIONAL OPTION 3-month call rates

	p		p		p		p		p
INDUSTRIALS		Charter Cons.	40	Ladbroke	17	Sears	7½	**OILS**	
Allied-Lyons	55	Comm Union	38	Legal & Gen	31	SmKl Bchm A	76	Aviva Pet	1¼
Amstrad	3	Courtaulds	39	Lex Service	18	TI	48	BP	22
Astec (BSR)	3	Eurotunnel	39	Lloyds Bank	31	TSB	10½	Burmah Castrol	40
BAT Inds	50	FKI	5½	Lonrho	20	Tesco	17	Conroy Pet	7½
BOC	48	FNFC	12	Lucas Inds	9	Thorn EMI	65	Gaelic Res	½
BTR	32	Forte	19	Marks Spencer	22	T & N	11	Premier Cons	3
Barclays	31	GKN	25	Midland Bank	19	Unilever	70	Shell	37
Blue Circle	22	Gen Accident	38	NatWest Bank	24	Vickers	14	Tuskar Res	1
Boots	33	GEC	15	P & O Dfd	34	Wellcome	75	**MINES**	
Bowater	55	Glaxo	70	Racal Elect	4½	**PROPERTY**		RTZ	39
Brit Aerospace	27	Grand Met	78	RHM	18	Brit Land	21		
British Steel	6	GRE	11	Rank Org	45	Land Sec.	38		
Brit Telecom	24	Hanson	16	Ratners	5	MEPC	31		
Cadburys	33	ICI	90	Reed Intl	40	Mountleigh	2½		

UK COMPANY NEWS

Granada defends Plowright decision

By Raymond Snoddy

MR ALEX Bernstein, chairman of Granada Group yesterday had to justify at its annual meeting the forced resignation of Mr David Plowright, chairman of Granada Television.

As the meeting was drawing to an end, with the time for questions already over, Mrs Patricia Davies, a shareholder and former producer on the University Challenge television programme, said she wanted some explanation for the departure. Mr Plowright had always been associated with high quality, she said.

Mr Bernstein replied that while he understood the concern it was a team not an individual that had won the new franchise for Granada.

"I am quite confident that Granada Television can continue to carry out the terms of the franchise satisfactorily," he said adding that all ITV companies were having to look at their cost structures. Granada Television could be no exception.

Mr Gerry Robinson, the new chief executive who sought Mr Plowright's resignation, said although the departure was very unfortunate it was "absolutely vital" to have straight-talking from a new chief executive on what was required from every part of the group in terms of better profits for shareholders and employees.

There had been a lack of consistent dialogue with Mr Plowright. "I was sad about that but it could not be allowed to get in the way of nursing the company back to health," Mr Robinson said.

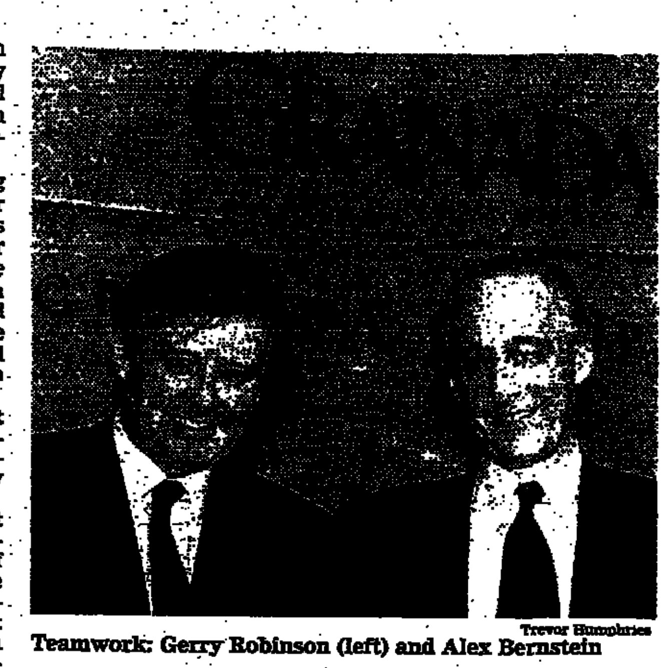
Mr Bernstein was attacked by Mr David Boulton, former head of arts and regional programmes at Granada, for "giving in to pressure from others" in getting rid of Mr Plowright.

"Our dismay and concern is all the greater when the axemanship is done by a new chief executive whose quality record in the business he ran before is deplorable," Mr Boulton said. He added that Compass, the industrial catering group run by Mr Robinson, had lost contract after contract.

Mr Robinson said that Compass had won caterer of the year awards and said he was dedicated to quality.

"I believe totally in quality and I have no time at all for people who confuse spending with quality," said Mr Robinson to a round of applause.

Earlier there had been complaints about the size of payments to directors and in particular the £579,550 pay-off to Mr Derek Lewis, the former chief executive. Mr Bernstein said Mr Lewis had been paid his entitlement under his contract.



Trevor Humphries

Teamwork: Gerry Robinson (left) and Alex Bernstein

See Observer

Young Grp shares dive after profit warning

By Chris Tighe

YOUNG GROUP, the opencast and drift coal miner, yesterday announced that its profits for the year to November 30 1991 were likely to be substantially lower than expected, and that its directors have recommended no final dividend be paid.

The announcement coincided with the reinstatement of dealing in the group's shares, suspended on February 18 at 96p. The shares slumped to 27p, but rallied slightly to finish the day at 39p.

In a statement issued by Lazards, its financial adviser, the USM-quoted company, which has sites in the UK and Venezuela, said it had suffered a shortfall in "economically extractable reserves" at some of its opencast sites, resulting in increased per-tonne extraction costs and reduced profitability.

It is understood that geological problems, including underground combustion and smaller than anticipated reserves, have hit production at several sites, denting profitability. The geological setback, although coincidental with the current depressed price for coal, means the County Durham-based group is faced with developing new sites at a time when prices are sliding.

The statement said lost production and the costs of developing new sites while restoring exhausted ones, meant additional working capital was required. A short term facility had been arranged with shareholders' support and discussions are continuing with NatWest, the group's bankers, and shareholders to arrange additional finance.

Barely two months ago, the group successfully raised £5.4m net by the issue of 5.71m convertible preference shares, gaining 31 and Hambro European Ventures as shareholders and reducing gearing below 100 per cent.

Last summer, shortly before declaring interim pre-tax profits of £756,000, Mr Young voiced hopes of boosting coal production from 774,000 tonnes in 1990 to 1m tonnes within three years. But 1991 production will be below the previous year.

T Cowie bucks sector trend with 61% advance to £18.2m

By Jane Fuller

T COWIE yesterday appeared as the light at the beginning of the tunnel in what is expected to be a dismal season for motor-related results. Against the trend, it reported a 61 per cent increase in pre-tax profit from £11.3m to £18.2m.

The share price, which has nearly quadrupled since early last year, gained a further 3p to close at 138p.

Cowie, which is the UK's largest company car leasing operator as well as a motor dealer, benefited partly from reduced interest rates – its Achilles' heel in the past – but also from increased car sales.

Although used cars contributed far more to pre-tax profit than new ones, the number of new cars sold was increased in a year when the UK total fell by 21 per cent.

Sir Tom Cowie, chairman, has often said that every 1 percentage point fall in interest rates adds £2.4m to the group's bottom line.

With base rates falling from 14 to 11 per cent between February and July last year, Cowie's annual interest bill came down from £44.7m to £36.3m.

This more than offset a small squeeze on operating profit of £54.5m (£56m) as turnover advanced by 5 per cent to £564.9m (£536.5m).

In the Cowie Interleasing finance division, pre-tax profit rose by 46 per cent to £11m on sales of £208.8m (£198.7m).

Mr Neil Pykett, director, said the fleet had been expanded from 53,000 vehicles in 1990 to more than 61,000 now.

In the motor division, pre-tax profit rose by 37 per cent to a record £6.61m (£4.82m) on sales of £316.5m (£276m).

A large order from Hertz UK showed through in an increase in new car sales from 29,000 to nearly 31,000.

Mr Iain Jane, director, said new cars only contributed 6 per cent to the division's profit. Used cars accounted for 33 per cent as sales went up from just over 8,000 to 10,500 units. Workshops, bodyshops and parts contributed 53 per cent.

Cowie's net debt – mostly related to the fleet – grew to £355.2m (£328.7m), with gearing stable at 385 per cent. The increase in borrowings followed spending of £148m on renewing the fleet plus £45m to fund acquisitions.

Fully diluted earnings per share rose to 11.11p (7.22p).

A final dividend of 3.375p makes a total of 4.875p (3.7p).

● COMMENT

To produce a pre-tax profit figure second only to the £25.1m of booming 1988 is quite an achievement in a year which could hardly be more different. Cowie has proved right those who said it was a classic interest rate play – rather than a candidate for insolvency. But more than that, it has proved the fundamental quality of its car leasing and dealing businesses. Part of this rests on the synergy between the two: Interleasing buys from its sister organisation, while the retail business has a ready supply of used cars. Just as important are the symptoms of good housekeeping: a conservative approach to residual values – the undoing of others, the spreading of overheads, early pruning of poorly performing activities. With pre-tax profit forecast to reach £23m to £25m this year, the prospective multiple is about 9.5. The perceived risk attached to highly geared leasing groups has dictated a discount and the shares may pause after a fine run. Medium term there is scope for more.

Serco moves away from defence and hits £5.2m

By Angus Foster

SERCO GROUP, the task management company, yesterday announced a 21 per cent increase to £5.2m in pre-tax profits in the year to end-December, in line with forecasts made ahead of the October rights issue.

The company, which lists among its contracts the maintenance of Ministry of Defence radars, one in three of London's traffic lights and 108 Marks and Spencer stores, said progress last year was "very satisfactory".

Turnover improved 33 per cent from £78.4m to £104.9m. Mr George Gray, chairman, said about £10m of the increase came from new contracts. All main contracts which came up for review were renewed.

Defence-related business, which provided 75 per cent of turnover when the company floated in 1988, has fallen to 47 per cent following diversification. Since 1990 Serco has provided services to government and local councils and started operations in Australia and New Zealand.

UK defence budget cuts will affect the group in the longer term. But Serco expects its defence business to increase this year as contracting out to reduce costs becomes more popular.

Following the rights issue, which raised £9.8m, Serco is looking for acquisitions. The company is continuing talks with British Telecommunications about the purchase of International Aeradio, its aviation services subsidiary. This would provide Serco with a natural route into aviation services, Mr Gray said.

Earnings per share increased to 30.2p (26.1p). A recommended final dividend of 8p makes a total for the year of 12p (11p).

The company's shares – which had risen strongly since August – yesterday gained 9p to a high of 624p.

Pifco drops 31% after losses at Russell Hobbs

By Roland Rudd

PIFCO HOLDINGS, the electrical appliances group, suffered a 31 per cent fall in pre-tax profits for the half year to end-October as it worked to eliminate a loss at Russell Hobbs Tower, its recent acquisition.

The extensive surgery at RHT was responsible for the fall in profits to £577,000 (£1.81m).

The integration process was also hampered by a downturn in consumer spending.

In the 28 months prior to its acquisition from the administrators of Polly Peck International in April 1991, RHT lost more than £30m.

Although the purchase had only cost Pifco £7.75m – just over half of its net asset value – Mr Michael Webber, Pifco chairman, said the culture of the business had to be turned around from "being driven by the factory to being driven by the market place".

RHT is now close to break-even after tighter quality controls reduced return levels by 10 per cent to 20 per cent; the workforce was cut by 100 to 800 and the head office in Wolverhampton was closed and incorporated into Pifco's headquarters in Manchester.

Sales at RHT have fallen significantly, but Mr Webber said that was a price worth paying for getting the business back into the black.

The core Pifco Salton Carmen business experienced a difficult six months due to last year's poor summer which resulted in lower sales of Pifco fans.

The haircare and personal care business for Carmen was also lower due to soft consumer demand.

Overall group sales rose to £21.8m (£13m).

Earnings per share slumped to 5.7p (16p) but the interim dividend is held at 3.5p.

Admiral edges ahead to £3.5m

By Alan Cane

ADMIRAL, the Surrey-based computing company specialising in the government sector and financial services, maintained its reputation for careful management and cost containment last year.

Profits before tax rose 6 per cent to £3.47m (£3.28m) on sales 23 per cent higher at £26.1m (£21.2m).

The failure of growth in pre-tax profits to match sales was attributed by Mr Clay Brendish, chairman, to fierce competition and the decision to continue to recruit staff in anticipation of an upturn in the market.

Earnings per share were up 13 per cent at 21.9p (19.4p) and the recommended final dividend is 3.3p making a total for the year of 4.8p, up 14 per cent.

Staff numbers grew 20 per cent to 509 during the year and Mr Brendish said the new people were now beginning to make a contribution to group profitability.

Defence slipped from 47 per cent of the group's activities to 37 per cent, but the decline has been more than made up by an increase from 23 per cent to 31 per cent in financial services work.

● COMMENT

Admiral, named after the red butterfly, seems to flutter over many of the problems of computing services and is one of the few rising stars in a troubled sector. It combines a close watch on costs with a cautious recruitment policy and seems to command the loyalty of its customers who return with repeat business. Its forward order book, worth £16m last year, has now stretched to £20m. Mr Brendish says he detects signs of an upturn and is beginning to ramp up recruitment to take advantage of new opportunities. Analysts are taking a cautious view, partly because of the known difficulties in the sector and also the uncertainties caused by the election. But for next year a pre-tax profit of £3.8m, giving a modest prospective p/e of about 14, looks perfectly achievable; profits could touch £4m if the economic situation lightens.

Burnfield £1.17m in the black

Burnfield lifted its profit by £550,000 in 1991, and following a big reduction in exceptional costs, turned the previous pre-tax loss of £3.2m into a profit of £1.17m.

The company comprises two businesses: Isopad makes electric surface heating systems, and Budenberg produces pressure gauges, calibration equipment and thermometers.

Turnover was £20.6m, against £15.3m for the previous 11 months. Exceptional costs fell to £795,000 (£4.61m) and covered the reorganisation and restructuring of Isopad in Germany and France.

Earnings were 4.8p (losses 24.8p) net of the exceptional item equal to 3.2p (losses 32.3p). The final dividend is 4.1p making 5.75p (5.5p).

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
AAF Investment ....fin	6‡	July 3	6	11‡	11
Abbey National ....fin	7	May 11	6.35	10.5	9.5
Admiral ....fin	3.3	May 5	2.88	4.8	4.2
Burnfield ....fin	4.1	Apr 24	3.85	5.75†	5.5
Cowie (T) ....fin	3.375	Apr 9	2.5	4.88	3.7
Expamet Intl ....fin	6.2	May 1	6.2	10.38†	10.38
Fisons ....fin	5.4	July 1	4.65	8.7	7.5
General Accident .....fin	17.05☆	July 1	17.05	26.75	26.75
Grahams Rintoul .....fin	0.25	Apr 12	1.5	0.25	1.5
Gresham Telecom§..fin	0.22	May 6	nil	0.22	nil
Hampden Homecare fin	1.8§	June 18	nil	2	0.2
Hays ....int	1.5	May 29	1.3	-	4
Instem ....fin	3	July 3	2.85	4.2	4.05
Intereurope Tech......int	2	Apr 30	2	-	7.4
Microfilm Repro ....int	1.44	Apr 3	1.2	-	3.6
Pacific Assets ....fin	1	Mar 21	1.875♥	1	1.875
Pifco ....int	3.5	Apr 27	3.5	-	7.75
Serco ....fin	8†	Apr 23	7.5	12	11
Tor Inv Trust ....int	10	-	9.5	-	39

Dividends shown pence per share net except where otherwise stated. †On capital increased by rights and/or acquisition issues. §USM stock. ☆Scrip option. ‡Gross throughout; includes special 0.5p (1p) making total special of 1p (2p). ♥Includes special 1p.

NEWS DIGEST

WH Smith buys 59 US music stores

WH SMITH is to acquire 59 recorded music retail outlets in the US from Record World of Long Island, New York.

The stores are located in New York State, New Jersey, Pennsylvania, Maryland, Virginia and Connecticut.

The acquisition gives WH Smith a chain of 165 music stores in the north eastern US and a significant share of several metropolitan markets in Pennsylvania and New York State.

The acquisition is subject to certain regulatory approvals including clearance under the Hart Scott Rodino procedure.

Grahams Rintoul

The net asset value of Grahams Rintoul Investment Trust rose 16 per cent, from 106.4p to 123.8p, over 1991.

Net revenue, however, dipped to £856,000 (£1.05m) leaving losses per share of 1.53p (earnings of 1.12p).

The single distribution for the year is cut from 1.5p to 0.25p.

AAF Investment

AAF Investment Corporation, 65.5 per cent owned by W&A Investments of South Africa, continued its development into an industrial holding company in the 1991 year as pre-tax profits improved 11 per cent from £3.57m to £3.97m.

The figures included its alloy wheels purchase for 11 months and four months of the scaffolding operation. There was an interest charge of £1.37m against interest received of £1.66m.

Turnover rose to £64.5m (£27.9m) with operating margins improving from 6.8 per cent to 8.3 per cent.

Earnings per share were 21.43p (20.37p). A final dividend of 5.5p is proposed with a special final of 0.5p making an unchanged gross total for the year of 11p.

It is proposing to change its name to AAF Industries.

Instem

Instem, the electronics, instrumentation and information systems group, achieved a 42 per cent increase in turnover to £15.8m over the year to December 27 1991, but saw pre-tax profit only marginally ahead to £1.01m, against £1m.

Earnings per share rose to 15.2p (14p) and an increased final of 3p (2.85p) is proposed, making a total of 4.2p (4.05p) for the year.

Hampden Homecare

Hampden Homecare, which operates Texas Homecare stores in Ireland, almost made a full recovery in 1991 after the setback of the previous year.

Pre-tax profit of this USM-quoted group surged from £506,000 to £1.3m on turnover of £26.1m (£22.7m). The previous year was hit by an extraordinary £1.8m provision thought necessary following refusal of planning permission for a new store.

Earnings per share rose to 6.37p (2p). The final dividend is 1.8p for a total of 2p (0.2p).

In Northern Ireland margins moved ahead significantly. With the exception of Ballymena, all stores increased sales and profits. The flagship Sprucefield store re-opened in October 1991, following a fire.

Mr Peter Goldstone is retiring as chairman and will be replaced by Mr Stratton Mills.

New Cavendish Ests

Increased rental income and continuing reduction in overhead costs led New Cavendish Estates to pre-tax profits of £161,700 for the half year ended December 31, compared with £5,000.

Net rental income came to £455,700 (£408,000) and finance and administration costs to £388,000 (£804,000). Earnings per share were 1.08p (0.04p).

Net borrowings have been cut from £1.14m at June 30 1991 to under £800,000.

Noro-Buckfield, the majority shareholder, intends to sell its 54.51 per cent stake.

Hardanger Props

Hardanger Properties, the Kidderminster-based retail property developer, is being placed in administration after the collapse of a rescue package.

The company announced yesterday that certain Hong Kong investors, who in December proposed refinancing its debts, have withdrawn. Substitute investors are not acceptable to Barclays, its main creditor.

The shares were suspended at 65p in April following delayed property sales and high borrowings. The depressed property market prevented the company making necessary sales to reduce its interest charges.

Hardanger has about £80m in secured creditors, with Barclays owed more than £40m. Unsecured creditors are thought to total less than £10m.

Microfilm Repro

Microfilm Reprographics showed further progress in the half year to end-December, lifting pre-tax profit by 5.5 per cent, from £3.61m to £3.81m.

This was achieved on turnover marginally higher at £16.3m, compared with £16.1m. The group runs photographic and cinematographic processing laboratories.

Earnings per share came to 4.58p (4.33p) and the interim dividend is raised to 1.44p (1.2p).

Intereurope

Intereurope Technology Services, the technical documentation and support group, yesterday reported a marginal decline in interim profits.

The fall in the six months to end-December – from £642,000 to £614,000 – came on turnover of £5.41m (restated £6.36m).

The interim dividend is maintained at 2p, payable from earnings of 7.95p (8.1p).

Gresham Telecomp

Pro forma accounts for the 13 months to October 31 1991 at Gresham Telecomputing showed pre-tax profit of £751,000 from turnover of £10.7m.

This is the first set of accounts since the April 1991 merger. They represented the combined figures of Gresham Telecomputing for 13 months and Gresham Computer Holdings and its subsidiaries for 12 months.

Earnings per share were 1.42p and dividends are resumed with a payment of 0.22p.

Restated figures for 1990 showed turnover of £2.1m, a pre-tax deficit of £257,000 and losses per share of 4.74p.

Crown Comms

Crown Communications, the commercial radio group, has agreed to sell 30 per cent of its stake in Independent Radio News to other leading commercial radio companies.

The deal will bring in about £500,000 for the hard-pressed Crown, which will keep a 10 per cent stake in IRN and a seat on the board.

Butte Mining

Butte Mining, the London-listed gold mining company, reported a £52,000 pre-tax profit for the six months to end-December against a £931,000 loss.

Turnover was £5.34m (£565,000). The profit included £1.38m from the closure of some gold forward sales agreements and gold loans by the VAM subsidiary in Australia.

Minorities took £255,000 (nil) leaving losses of 0.1p a share (0.8p).

The company also announced it had hired Deutsch & Frey, a New York contingent fee law firm, to represent it in potential suits for damages in connection with its property in Butte, Montana, which is now shut down.

Withdrawal of Imferon pulls Fisons down 17%

By Daniel Green

FISONS, the pharmaceutical and scientific instruments company, said yesterday that it could abandon its attempt to reinstate a drug banned by US regulatory authorities into the US market.

Imferon, an anaemia treatment, was taken off the US market in January 1991 because of production problems. Its absence contributed to a 17 per cent drop to £190.5m (£230.2m) in full-year pre-tax profits.

Mr Patrick Egan, chairman, said it would cost £25m to £30m to modernise Imferon production to meet standards set by the US Food and Drug Administration (FDA).

Fisons estimated that profits from US sales of the drug would have been £15m in 1991. The company said it was considering whether or not to make the requested improvements to its plant in Holmes Chapel, Cheshire.

This possibility could put pressure on the FDA to moderate its demands. There is no effective alternative to Imferon in some therapies, said Fisons.

The absence from US and Japanese markets of Imferon and another drug banned by the FDA, hay fever treatment Opticrom, last year cost the company £65m in lost earnings and increased spending on production facilities.

"Last year was a difficult one for Fisons", said Mr Egan. The group, nevertheless, is increasing the dividend for the year to 8.7p (7.5p) with a final of 5.4p. Mr Egan said: "We are confident as we enter 1992 that most of our difficulties now lie behind us."

He confirmed that an inspection by the FDA of production facilities for both Opticrom and Imferon would probably be delayed until April, instead of March as previously expected. Turnover rose 5 per cent to £1.22bn (£1.16bn) thanks to a strong performance from the scientific instruments division. Earnings per share fell to 20.8p (26.3p).

Capital spending, partly to comply with FDA rules, pushed capital employed for the year up to £686m (£614m). Return on capital employed fell from 37.3 per cent to 29.3 per cent, the lowest for more than three years.

Fisons signalled a change of management style giving sales figures for each of its best selling drugs for the first time. Asthma drug Intal, easily the best seller despite its 20 years on the market, turned over £170m at wholesale prices, 10 per cent higher than in 1990.

Its replacement, Tilade, brought in £20m, an improvement of 45 per cent on 1990. Tilade is still awaiting approval for the US market.

Rynacrom and Opticrom, both used for hay-fever, generated sales of £55m and £45m respectively.

See Lex

Redland gets green light for Steetley bid

By Andrew Taylor, Construction Correspondent

REDLAND has been given permission by Mr Peter Lilley, the trade secretary, to proceed with its contested £600m bid for Steetley, its rival UK building materials group.

Mr Lilley said that he had accepted undertakings by Redland that it would dispose of two brick plants in south-east England and Steetley's clay roof tile business if the bid succeeded.

The undertakings were sought because a takeover of Steetley would have left the merged group with 46 per cent of the national clay roof tile market and 23 per cent of brick production capacity in south-east England.

The brick plants at Cranleigh and Tilmanstone and clay tile plants at Keele and Knutton in Staffordshire must be sold within 18 months of the bid succeeding.

Steetley, which must publish its defence document within two days of Mr Lilley's clearance of Redland's offer, said that it would defend itself vigorously against a bid which substantially under-valued its business.

Mr David Donne, Steetley's chairman, said:"The undertakings they have been required to give undermines the commercial logic of their offer.

"They are going to have to sell our two most modern brickworks, the country's leading clay manufacturers and our best clay reserves. They will now have to work very hard to demonstrate where they are going to make the £30m of savings they have been saying they will achieve from buying Steetley."

Redland said that the businesses it would be selling accounted for less than 5 per cent Steetley's turnover and that it would achieve savings of £30m even after the undertakings.

Redland's share price yesterday fell 10p to 450p. The group is offering 85 of its shares for every 100 Steetley valuing its 156.5m ordinary shares at £598.6m or 382½p apiece. This compared with Steetley's closing price of 380p last night.

Recruitment decline hits Hays

By Andrew Bolger

HAYS, the business services group, said it could see no clear measurable sign of any improvement in the economy and forecast that recovery might be delayed until the beginning of next year.

Strong performances by the group's commercial and distribution divisions helped offset a plunge in profits from its personnel business, which specialises in accountancy staff.

Pre-tax profits dipped from £27.5m to £26.8m in the six months to December 31, although this was partly because of the ending of income from an interest-capping policy, which last year contributed £1.8m. Turnover was flat at £341m (£342m).

Stripping out the effects of the interest-capping policy, Hays said operating profit after normal interest payments had risen by nearly 5 per cent to £26.9m (£25.7m).

Operating profits at the personnel division fell from £6.7m to £2.5m, which Hays said reflected the depth of the recession and its particularly harsh impact on the recruitment industry.

Mr Ronnie Frost, chairman and chief executive, said employee numbers in the division had been cut from 1,500 to 850 over the last two years and 18 offices had been "mothballed". However, there had been no further retrenchment in the half-year to December, and turnover levels now seemed to have stabilised.

The distribution division's operating profits rose by 15 per cent to £16.2m, aided by an increase in the volume of goods distributed for both Waitrose and Tesco.

Mr Frost said the recession had affected the performance of its wine and spirits distribution and home delivery services, but chemical distribution had traded well.

The commercial division's operating profits grew by 33 per cent, from £6.9m to £9.2m, although some £900,000 of that increase came from three recently acquired companies.

Earnings per share were unchanged at 4.7p, but the group said its strong balance sheet and cash flow enabled it to maintain its policy of increasing dividends by 15 per cent, giving an interim of 1.5p (1.3p).

● COMMENT

Mr Frost can reasonably claim that his "three-legged stool philosophy" is proving its worth, with the strength of the distribution and commercial businesses providing much needed support for the personnel side. The recruitment businesses provide the group's strongest claim to be a recovery play and Hays claims that swift cost-cutting means that 75 per cent of any new turnover will drop straight through to profits. The catch is that Mr Frost seems to have written off hopes of much recovery in 1992 and Hays shares have already outperformed the market by more than 40 per cent over the last year. Forecast full-year profits of about £58m put the shares on a multiple of over 16. That is not unreasonable for a company with Hays' track record, but buyers at this level should be willing to wait for long-term growth.

Masking turbulence with treasury flair

David Barchard looks at Abbey National's bad debt problems

"I THINK we are over the worst in the housing market," said Mr Peter Birch, Abbey National chief executive, sitting in his Baker Street office surrounded by soothing if slightly predictable pictures of the great English medieval abbeys.

Bland pictures seemed a fitting backdrop for what were on the face of them soothing and predictable results at a time of market turbulence.

Abbey National's 1991 pre-tax profits landed almost exactly on target at £618m, 8.2 per cent above 1991 – and this despite a sharp increase in bad debt provisions, which soared from £55m a year ago to £155m.

The result makes Abbey the second most profitable UK bank after Lloyds, well ahead of Barclays, even though Abbey National's total assets of £57.4bn are less than half those of Barclays.

Other features of the results contained little to alarm the market. Losses at Cornerstone, Abbey National's estate agency operation, were down by £1m on 1990. The cost income ratio of 45.1 per cent was slightly up on last year, but still about 20 percentage points below those of most high street banks.

Instead of hailing these results as a triumph, the market treated them with considerable caution. Abbey National's share price fell by 11p during the day and UBS Phillips & Drew, the City stockbrokers who know the company best, downgraded their recommendation from hold to sell.

"If you take out the huge jump in profits from treasury operations, which went up from £2m in 1990 to £62m last year, then you are left with a much less sparkling performance by Abbey National's core retail banking businesses," said Mr John Wrigglesworth, a UBS Phillips & Drew banking analyst.

The group's UK retail banking profits in fact went down by 4.5 per cent to £585m from £612m.

The fall is entirely due to bad debt problems. Abbey National's heartland is still London and the south-east, the areas which have been hit hardest in the housing market recession. Without provisions, UK retail operations would have risen by 15 per cent to £772m.

This lacklustre performance may not seem very surprising given the state of the UK housing market. Profits are expected to be well down this year at other large south-eastern based mortgage lenders such as Alliance & Leicester and Woolwich building societies.

But some large lenders have fared relatively well. Yorkshire Building Society is expected to announce a 20 per cent increase in its pre-tax profits this year. National & Provincial, regarded for several years as one of the more troubled lenders in the industry, last week posted a 68 per cent increase in its pre-tax profits for 1991.

The success of Abbey National's treasury operations reflects the fact that, like TSB, it is a bank sitting on a large chest of capital raised at the time of its flotation.

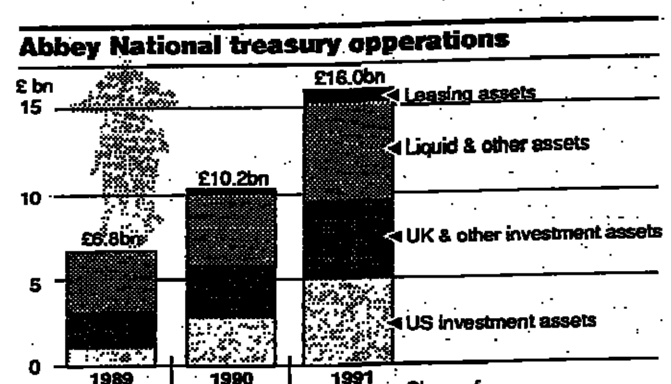
Abbey National has engaged in some cautious diversification, creating a network of subsidiaries in Spain, Italy, and France with the single European market in mind, and last year it bought Scottish Mutual Life Assurance and is using the Scottish company to set up its own life assurance subsidiary.

Mr Birch says that Abbey National does not want to risk wasting its capital on diversification which might go awry, like TSB's ill-fated purchase of Hill Samuel.

In fact one post-flotation initiative, the strong new Treasury team created since 1989 under Mr Gareth Jones, was responsible for over half the group's balance sheet growth and 10 per cent of this year's profits.

But Treasury operations are a volatile business where banks have to work hard to earn even small margins. Mr Jones's team is unlikely to be able to pull off the same feat in 1992 if the bank's soothing aura of success is to be maintained.

Abbey National treasury operations



	1989	1990	1991
Share of: Group total assets	18%	22%	28%
Treasury operations pre-tax profits	N.A.*	£2m	£62m
Group pre-tax profits	N.A.*	0.3%	10.0%

Source: Abbey National. *Present treasury operation set up in mid 1989

Expamet falls 43% to £7.3m

By Richard Gourlay

EXPAMET International, the building products and security group, yesterday reported a 43 per cent fall in profits as most of its divisions continued to be hit by recession.

Pre-tax profits for 1991 fell from £12.8m to £7.3m on sales 11 per cent lower at £141m.

Earnings per share fell from 19.62p, adjusting for the 1990 rights issue, to 9.06p but the group nevertheless maintained its final dividend at 6.2p and the total for the year at 10.38p.

Debt was cut from £17.3m at the interim stage to £10m, or gearing of 45 per cent, a level that Mr Alex Orr, managing director, described as comfortable.

This was achieved by an increase in profitability, following a difficult first quarter and a sharp reduction in working capital in Europe.

The group continued to suffer from the delayed launch of five security products from its 1989 acquisition, Radionics of the US. The radio product – with the most promising market in the US – is now due for launch in late March.

A breakdown of operating profits after exceptionals showed that the security division nearly halved to £3.9m on lower sales after disposals, a reduction in gross margins and increased R&D expenditure.

The building division was static at £5.1m after an improvement in the ducting business in the Netherlands and Belgium.

The industrial sector's profits fell by more than half to £1.5m, partly because of costs of halving the workforce at the old expanded metal business.

● COMMENT

One has to question the wisdom of maintaining a dividend by digging into reserves but Expamet was probably tied to this policy by its £21m rights issue last year. It leaves little room for manoeuvre if something goes wrong. Nevertheless, having regained control of working capital and cut debt, and with the prospect of some benefit from the much delayed launch of Radionics' radio security product, the dividend is probably safe. Profits forecast at £11m this year give earnings of 12.6p, and a multiple of nearly 12. With a maintained dividend level, Expamet still yields an attractive 9 per cent.

Ex-Greencore chief criticised

By Tim Coone in Dublin

TWO HIGH Court-appointed inspectors investigating a share dealing controversy within Greencore, the Irish sugar and foods group, have come to the conclusion that Mr Chris Comerford, its former managing director, "is an unfit person to be a director of a company in the State".

The inspectors were appointed last September, two weeks after Mr Comerford was forced by the board to resign from his I£135,000 (£125,000) per year position. This was triggered by a controversial 1990 buy-out of a subsidiary, Sugar Distributors, shortly before Irish Sugar was privatised.

Mr Comerford was considered to have a conflict of interest which he had failed to disclose, but he was offered a I£1.5m severance package which was later frozen.

The inspectors' report, published in Dublin yesterday and running to almost 300 pages, concluded that Mr Comerford "corruptly accepted monies . . . may have committed a criminal offence, namely forgery . . . and in his capacity as managing director of Irish Sugar, Mr Comerford deceived the company, being his employer, the board of directors and in particular Mr Cahill (the chairman), from sometime in or around mid-summer 1988 until the privatisation of Irish Sugar".

Mr Comerford said yesterday that he intended fighting the affair through the courts and claimed that he had been made a scapegoat by Greencore's board.

Surprisingly, the inspectors concluded that neither "Mr Comerford nor any of his family" ever had a beneficial interest in a company called Talmino which was involved in the Sugar Distributors buy-out. This directly contradicts the conclusions of another inquiry into the affair commissioned by the Industry Minister.

Recession blamed for fall at Rank Xerox to £239m

By Michiyo Nakamoto

RANK XEROX, the document products company, announced a 13 per cent decline in operating profits from £452m to £395m in the year to October 31. The group, jointly owned by Xerox of the US and the Rank Organisation, said that if the effects of the sale of its businesses in the Pacific region were excluded, the decline was 3 per cent.

Rank Xerox sold its businesses in Australia, New Zealand, Malaysia and Singapore to Fuji Xerox in the last financial year.

Pre-tax profits, after taking account of charges made by Xerox Corporation for R&D and other costs, as agreed between Xerox and Rank Corporation, were £238.8m (£294.5m).

Mr Bernard Fournier, managing director, said that "to achieve this is, in our industry, is an excellent result".

Rank Xerox increased its share of the market by 1.5 percentage points to 30 per cent in revenue terms. The group said that the recession was the main factor behind the profit decline. Turnover was down from £2.68m to £2.51bn.

Polly Peck creditors to meet with administrators next week

By David Barchard

Creditors of Polly Peck International, the collapsed fruit, electronics, and leisure group, are to meet the company's administrators on Thursday next week for an informal discussion about how different categories of creditor should be paid.

No shareholders are being invited to the meeting and only creditors who have claims of more than £10,000 may attend. There are thought to be about 300 of these.

Mr Michael Jordan of Cork Gully, one of the group's three administrators, is expected to explain that the administrators have had to take legal advice about whether $400m raised at the time of the rights issue early in 1990 for the purchase of Sansui, the Japanese consumer electronics group, was routed through PPI Holdings, a holding company in the Dutch Antilles.

"The implications of which company the funds were routed through are quite considerable for creditors," the administrators said yesterday.

He declined to comment on how much of a pay-out creditors can expect to receive, but it appears that any payment for creditors owed less than £10,000 will probably be very small.

He said that Polly Peck creditors "might have to take their own decisions" as a result of the information that will be provided.

A decision on which course of action should be taken may emerge from the next Polly Peck creditors' meeting, due on March 31.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 04.03.92: Pool purchase price £/MWh	Final Prices for Trading on 05.02.92: Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.04	17.13	17.13
0100	17.07	17.15	17.15
0130	17.07	17.17	17.17
0200	17.07	17.17	17.17
0230	17.04	17.13	17.13
0300	17.04	17.13	17.13
0330	17.04	17.12	17.12
0400	17.03	17.10	17.10
0430	17.02	17.06	17.06
0500	17.02	17.06	17.06
0530	17.03	17.11	17.11
0600	17.03	17.11	17.11
0630	17.04	17.13	17.13
0700	19.03	17.43	17.43
0730	19.03	18.02	20.09
0800	19.03	18.08	20.16
0830	18.73	18.90	21.00
0900	18.73	19.07	21.18
0930	19.24	19.27	21.39
1000	20.77	19.28	21.39
1030	20.77	19.34	21.45
1100	18.73	21.32	23.60
1130	18.73	21.32	23.50
1200	20.77	19.43	21.55
1230	20.77	21.32	23.50
1300	19.23	21.32	23.48
1330	18.73	19.07	21.16
1400	18.73	18.02	20.08
1430	19.03	17.46	17.46
1500	17.08	18.02	20.09
1530	19.03	19.07	21.18
1600	17.08	19.28	21.38
1630	19.03	19.50	21.62
1700	19.08	22.04	24.61
1730	19.04	28.51	31.86
1800	21.14	28.84	32.13
1830	21.87	27.48	30.50
1900	21.88	24.58	26.84
1930	21.79	21.29	23.44
2000	21.74	21.25	23.36
2030	19.03	19.79	21.89
2100	19.03	18.08	20.14
2130	19.03	17.96	20.02
2200	17.06	17.17	17.17
2230	17.04	17.13	17.13
2300	17.03	17.11	17.11
2330	17.02	17.06	17.06
2400	17.02	17.06	17.06

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.66/MWh becomes 1.666p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

European finance and investment: **Portugal**

Wednesday March 4 1992

In 1991, after five years of spectacular growth, the economy slowed down markedly. This was seen as an uncomfortable reminder that the country remains vulnerable to changes in the international environment, writes **Patrick Blum**

Braced for a period of turbulence

IT HAS been an eventful year for Portugal. The big event was last October's general election, which gave the ruling Social Democrats, led by prime minister Anibal Cavaco Silva, their second consecutive absolute majority, and ensured that the country would have another four years of political stability.

But now that the sounds of cheering have faded and promises of the political campaign have been forgotten, Portugal is having to confront gloomier prospects as the pressures of European Community integration mount.

After five years of spectacular growth, the economy slowed down markedly in 1991 – an uncomfortable reminder that Portugal remains highly vulnerable to changes in the international environment.

Investment slackened, growing 3.3 per cent in real terms – less than half the previous year's rate – and exports stagnated with a further deterioration in the visible trade balance.

At the same time, the crisis experienced by traditional sectors in the economy, especially textiles and agriculture, has deepened. A painful restructuring is inevitable in both sectors, and more growth and investment will be needed to provide new jobs.

While an annual growth rate of 2.7 per cent – down from an average rate of 4.5 per cent in the previous five years – was by no means negligible and still above the EC average, it was not enough to push real economic convergence with the Community's richer nations significantly forward.

Similarly, inflation declined from 13.4 per cent in 1990 to 11.4 per cent last year, but that still left Portugal with an inflation rate more than twice the EC average.

All of which points to the difficulties ahead for Portugal, in this second more exacting phase of its European integration.

As the new reality sinks in, public expectations are adjusting abruptly. In the public sector, discontent has erupted into strikes and demonstrations against government attempts to keep wage rises at levels compatible with its 8 per cent inflation target for this year. After some hesitation, the government agreed to a basic 10 per cent pay deal for public administration employees. This will mean an overall increase in the public sector wage bill of around 14 per cent.

Employers in the private sector will find it difficult to offer anything less, and this will increase pressure on wages.

Increases in value added tax and a 36 per cent rise in government current expenditure, announced in this year's budget, will also have an effect on inflation. Economists calculate that the VAT increases alone will add between 1 and 1.5 percentage points to inflation this year, and, most analysts believe inflation is more likely to be 9 to 9.5 per cent.

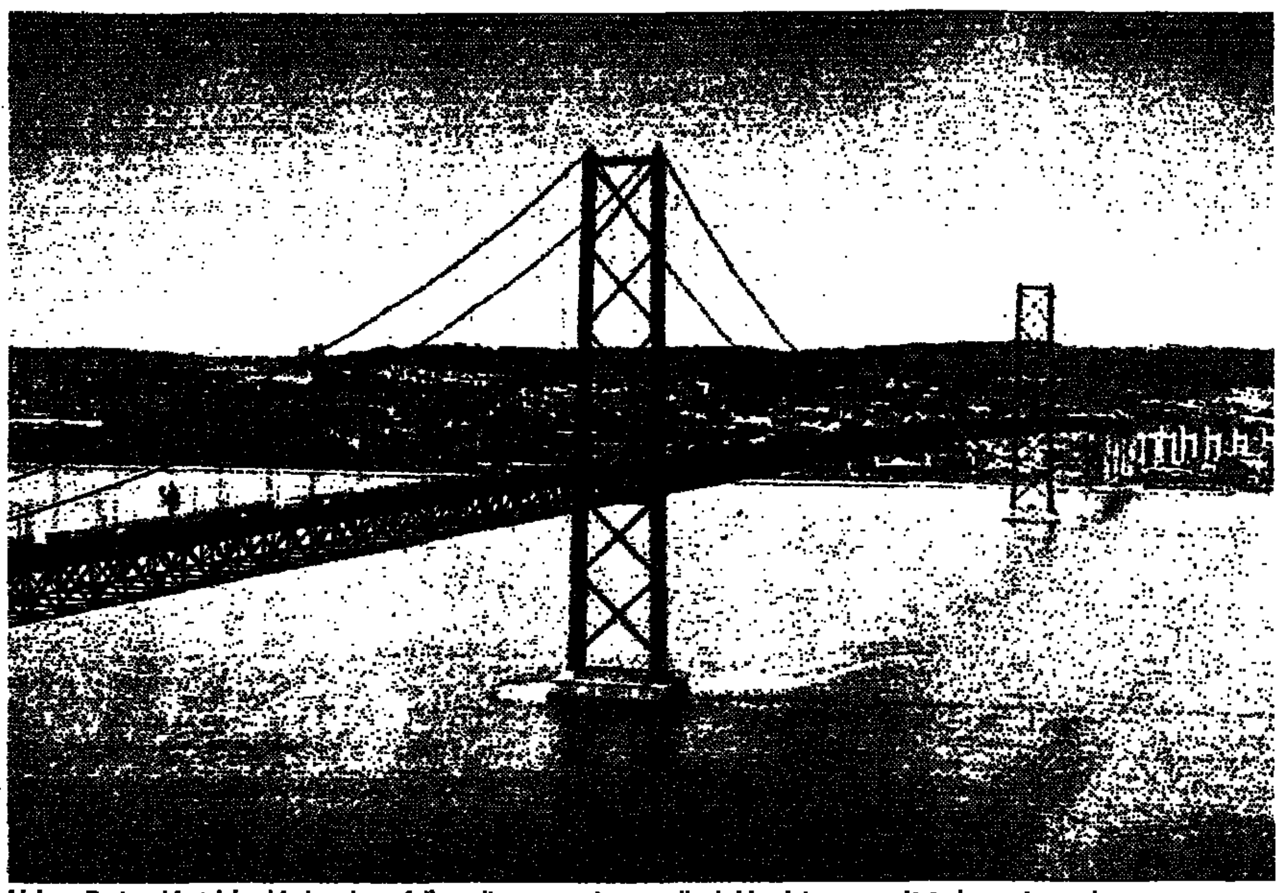
This presents the government with its biggest challenge: how to bring inflation down and maintain a high growth rate, at a time when its main trading partners are in recession.

It will not be easy. "If developments in the outside world continue to be negative, it will be impossible to maintain growth," says Jose Alberto Tavares Moreira, governor of the central bank.

Yet success or failure on both fronts will determine whether Portugal achieves its ambition to be among the first countries to participate fully in, and to enjoy, the benefits of European economic and monetary union (EMU) in the second half of the 1990s.

Well before that, the escudo will have to be brought into the exchange rate mechanism of the European monetary system, though this will prove difficult as long as inflation remains high. The Organisation for Economic Co-operation and Development, in its latest report on Portugal, suggests that such a move could help to bring down inflation and curb the country's economic imbalances; but the timing and manner of entry will be a nerve-racking and politically sensitive choice for the government.

An early entry into the ERM would lock in the escudo at a level close to or above its present high value – which would not be welcomed by exporters, who complain that they are suffering already from high interest rates. To delay for too long would undermine the government's convergence strategy; while a devaluation, either before or simultaneous with ERM entry, would have inflationary consequences, run counter to official commitment to exchange-rate stability, and be politically embarrassing.



Lisbon: Portugal is advised to tread carefully as it prepares to cross the bridge into economic and monetary union

Convergence also requires greater budget discipline, and the government aims to reduce its deficit gradually over the next four years, to bring it into line with the Community average set for the final phase of economic union.

The 1992 budget aims to cut the deficit from 6.3 per cent of gross domestic product to 5.2 per cent. This will be achieved mainly through higher revenues, made easier by tax reform and improvements in tax collection. A new state-of-the-art computerised and centralised tax-collection system makes tax avoidance much more difficult, and will increase revenues "at the press of a button", according to a senior tax consultant.

Critics would like the government to cut back more energetically on its own expenditures, rather than rely primarily on monetary measures to control inflation – which shifts the burden of good housekeeping on to the central bank and the private sector.

Interest rates have been kept high in order to reduce internal demand, but with limited results. Private consumption has remained buoyant, while industrialists say the policy penalises them in the face of foreign competitors who can raise money more cheaply outside Portugal. Mr Tavares Moreira says the central bank does not want to tighten monetary policy any further.

Officials say the government cannot reduce expenditures when it has to meet co-financing commitments for EC-backed development projects, and when it must make a huge effort to improve education and welfare.

EC funds have played a crucial role in helping to modernise Portugal's economy and infrastructures. Between 1986 and 1990, Portugal received about Es550bn ($3.9bn) in EC funds, representing 6 per cent of total investment.

The amount of EC aid available to Portugal is likely to rise substantially when the Community's next financial package of funds and budget are agreed later this year, including additional resources from the new "cohesion fund" for poorer EC members. Portugal has won agreement in principle for a reduction in the proportion of government co-financing for EC projects, but it will still face heavy demands on its own resources.

Interest rates have began to fall, though, at about 19 per cent for prime customers and above 26 per cent for general credit, they remain high by international standards. "Everything is cheap in Portugal except money," complained the recent headline of a popular daily newspaper.

Some banks have started for the first time to publish prime lending rates for their best clients, thereby helping to make the market more transparent, but rates are likely to remain on the high side for the foreseeable future.

The main beneficiaries have been the banks, though they are likely to feel the pinch as nominal rates decline – leading to a contraction in financial margins – and as operating costs rise. High interest rates alone do not cause high margins, but for many years the banks ran what amounted to an unofficial cartel to protect respective market shares (with the government's connivance as the bulk of the banking system was nationalised).

Such cosy arrangements are coming to an end. With the liberalisation of the banking system, the arrival of private banks and, more recently, the privatisation of many state-owned banks, competition has risen significantly. The establishment of a European single market in financial services beginning next January, is an additional incentive.

"We have entered a period of turbulence," says the president of a leading private bank. The description could well be applied more generally, as Portugal faces its first real test since it joined the EC in 1986.

IN THIS SURVEY

Editorial production: Roy Terry

Inflation is a pressing problem for the economy, says **Andrew Jack**

Back from the honeymoon

ANYONE WHO uses a taxi in Lisbon instantly confronts one of the most pressing problems of the Portuguese economy. Prices are rising so quickly that the meters cannot keep track, and all the taxis have to carry a chart to show the latest 9 per cent fare increase.

The continued high rate of inflation, combined with a recent slow-down in the growth of the economy, remain among the chief challenges facing the country. If Portugal's economic honeymoon since joining the European Community in 1986 is not yet over, then it has certainly run into its first significant lovers' tiff.

The economic record during the first few years after accession to the EC looked extremely impressive. Fuelled by investment and export growth, national output grew during 1986-90 at an average of 4.6 per cent a year, compared with 3.1 per cent across the EC.

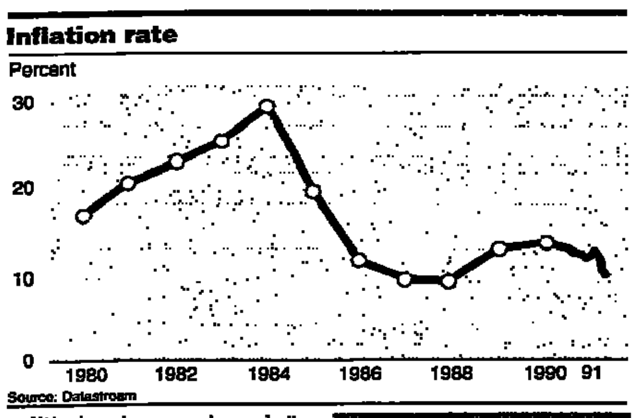
As new jobs were created, unemployment halved over the period, to 4.2 per cent, or just a fraction of the figure in many of its neighbouring states. Meanwhile, the budget deficit also fell sharply.

But now conditions have changed. Growth has slowed to an estimated 2.7 per cent for 1991, and the residual problems of a continued high deficit and inflation – estimated at 11.4 per cent last year – have dampened the original optimism. Many economists believe further progress to improve the state of the economy will prove increasingly difficult.

Miguel Namorado Rosa, a senior economist with Banco Comercial Portugues, says he believes prospects for the corporate sector are now much gloomier than they appeared last autumn.

The economy, which is extremely open, has moved from one in counter-cycle to the rest of Europe to one closely linked to it. As a result, recession elsewhere on the continent has inevitably contributed to the current slow-down.

"We saw some signs of deceleration which were acceptable after the rapid pace of growth over six consecutive years," he says. "But what we did not realise then was the extent of the cooling of the economy: 1991 was clearly a climax of political and economic goals."



His most recent projections suggest that growth will continue to slow to 2.2 per cent in 1992, and increase only marginally to 2.3 per cent next year. That compares with more optimistic estimates in the government's current plans of 3 per cent this year and 4 per cent in 1993.

The continued appreciation of the escudo, fuelled in part by high interest rates, has had a detrimental effect on the economy by reducing the competitiveness of Portuguese exports, argues Mr Namorado Rosa.

The strong growth of tourism has compensated in part for the decline in the export of products. He questions how much longer this trend can last as the recession lifts across Europe, the civil war ends in Yugoslavia and other parts of eastern Europe begin to develop as holiday destinations.

Traditional exports such as textiles, footwear and clothing do not generally use imported raw materials – whose cost to producers has fallen as the exchange rate has risen.

However, the price of Portuguese goods abroad has increased because of the strong escudo. Combined with recession in many key markets, demand has slumped. At the same time, these key sectors are labour-intensive, and so they have been severely affected by high wage demands spurred by continued inflation.

The high cost of capital has also had a depressing effect on investment. Very tight monetary policies have been introduced to control inflation. But that has sustained interest rates above 20 per cent and discouraged businesses from taking out loans. However, high interest rates have attracted capital inflows which are undermining the central bank's monetary policies by keeping liquidity levels high.


Alfredo de Sousa: disappointed with the 1992 budget

Inflation remains a key concern, but one that he believes may be difficult to reduce much further. He estimates that it will fall to 9.5 per cent in 1992 and 8 per cent next year. "As we approach 8 to 9 per cent inflation, further progress may prove very difficult," says Mr Namorado Rosa. "Perhaps this is a structural level of minimum inflation the economy is beginning to accept."

His pessimism is shared by Professor Alfredo de Sousa, a respected independent commentator on economic affairs. Prof de Sousa says he is disappointed with the government's 1992 budget, which was debated in parliament last month.

While the budget deficit is likely to fall from 6.3 per cent in 1991 to a planned 5.2 per cent this year, the reduction is being fuelled by greater tax revenues, reflecting changes in VAT rates and greater efficiency in collection. Together these should help to increase direct tax revenues by 22.1 per cent and indirect taxes by 27.5 per cent.

Nevertheless, government expenditure is also rising sharply for a wide range of functions, including a public works programme. New money will be required for a substantial public-sector wage settlement. A proposal for a 10 per cent rise is likely to be translated in a real increase of nearer 14 per cent, with considerable inflationary implications.

Prof de Sousa argues that the Banco de Portugal, the central bank, has tried to compensate for government policy, keeping up interest rates because the state has failed to control spending sufficiently. "Lighter monetary policy to help investment, and a tougher budget would be better," he says.

"The rigour in the budget is not so much for the state as for the taxpayers: they will have to pay for it. Austerity is being transfered from the government to the taxpayer and the bank."

"It would be politically unpopular to restrain salaries. The government doesn't want to lose votes in forthcoming local elections or risk social unrest, particularly while it holds the EC presidency," he says.

The challenge falls particularly on Jorge Braga de Mercado, the recently-appointed finance minister, who is already raising eyebrows with his outspoken manner.

Professor de Sousa believes that the economy could continue to grow at 3 to 4 per cent over the next two years, but only if it is accompanied by what he calls "a rational budget policy". He says the budget is rational in political, not economic, terms. "The current policy is unsustainable," he says.

Portugal is currently a little EC-mad, says **Andrew Jack**

Presidential caution is needed

THE OFFICE of Mr Sarsfield Cabral, director of the European Commission in Lisbon, commands fine views over the city from the top floor of a modern building. Its presence is an opulent symbol of Portugal's widening circle of influence.

The country may be one of the most recent and remote members of the European Community, admitted in 1986. But its enthusiasm for the institution – now given an extra boost by its first presidency – is clearly evident.

It does not take a long walk across Lisbon before a flag, or a poster of the blue and gold flag of the EC, comes into view. The newspapers have devoted regular, substantial sections on news related to the presidential period. Portugal is currently a little EC-mad.

Mr Cabral, himself an unashamed propagandist for the EC, concedes that perhaps it has all gone a little too far. "This kind of euphoria has brought some problems," he says, singling out the inflation which has accompanied the rapid economic growth since the mid-1980s.

Other senior government officials admit that, while it is an honour, the timing of their presidency could hardly have been more difficult.

Joao de Deus Pinheiro, the foreign minister, will have to tread carefully during the Portuguese EC presidency, while a number of important issues are considered. Substantial efforts are needed to complete the formation of the single European market by the end of the year. Delicate negotiations will be needed to reform the Common Agricultural Policy and to agree on a new package of EC structural funding and budget measures.

In addition, foreign affairs are likely to continue to take up considerable time, including the situation in Yugoslavia, the Commonwealth of Independent States, and Algeria. Portugal itself, given its colonial past, may also try to push more Third World issues on to the agenda, according to Mr Cabral.

He says there has been tremendous change in Portugal since it joined the EC in 1986, and that perceptions of the Community have become much more positive.

"The first five years was a success," he says. "Portugal has changed completely, and the economy has prospered. The mentality of the people has changed from fatalistic to more optimistic and confidant as the standard of living has improved."

He cites the example of supermarkets, which he says have been transformed from drab stores offering few, poor-quality goods not much better than those in eastern Europe, into modern outlets stocked with a wide range of quality and cosmopolitan goods.

Mr Cabral suggests that many factors fostered support for EC membership, including the contact the people had with relatives who had emigrated, particularly to France, and were enjoying greater prosperity there.

Equally, he says, joining the EC was seen as a way to fortify the country's fragile democracy against both communism and the prospect of right-wing dictatorship.

It has required a fundamental shift for a country which is geographically on the margins of Europe, and had historically focused outwards across the Atlantic, with its back deliberately turned away from Spain.

EC membership has brought a sense of integration with the rest of Europe. It has also brought some very direct


Joao de Deus Pinheiro: needs to tread carefully

financial rewards: transfers to date from EC funds total about Es550bn ($3.9bn). Another Es900bn is planned up until 1993.

That has helped to fund large-scale infrastructure projects, and fuelled rapid economic growth. Officials also defensively suggest that any frauds which have taken place are minor compared with those recorded in other member states.

Mr Cabral says the country is well advanced on implementing many EC directives, ignoring those for which it has negotiated delays, such as capital movements. It has taken steps in the current budget to move towards harmonisation of VAT, for instance.

But now the sacrifices are beginning to bite. An economic convergence plan, submitted late last year, commits Portugal to a series of tough measures to bring the economy more in line with the rest of its EC partners. It aims to reduce inflation and gradually cut the public-sector deficit through lower spending and reduced interest rates.

Many industries nationalised in 1974 are now being privatised, and most commentators expect the process to lead to redundancies. The agricultural sector is still heavily subsidised, with a large number of uneconomic and inefficient farms. Economic openness is also likely to increasingly effect some of the country's traditional industries such as textiles. Many may not survive foreign competition.

An important issue is the timing of membership of the exchange rate mechanism. It could happen this year, and some commentators have even suggested that, for political reasons, it might be announced during the presidency. To do so would bring the escudo in while inflation remains much higher than the EC average. In any event, it will bring greater discipline to the management of the economy.

A recent OECD report on the Portuguese economy suggested that unemployment is now below sustainable levels; while growth would be impossible to sustain without more effective control of inflation and liquidity, a reduction in the size of government spending, and a freer reign on exchange rates.

Jose Alberto Tavares Moreira, governor of the Bank of Portugal, is critical of this report. He says a free exchange rate could jeopardise the restructuring of the economy. But he accepts that government expenditure must fall as part of a tough series of measures to improve the shape of the economy.

The transition towards greater economic integration with the rest of the EC will not come without considerable further trauma. "So far we have only had the benefits," says Mr Cabral. "Now we must pay the bills."

Reforms in the financial system examined by **Peter Wise**

Legislative barriers eased

THE FINANCIAL system will take one of its final strides towards liberalisation next January 1, when European Community banks become free to operate in Portugal without special authorisation.

In preparation for the opening up of the sector, central-bank authorities have been steadily exposing banks to stronger competition and a freer operating environment.

The first big move in this direction was made in late 1990, when the Bank of Portugal adopted new statutes that substantially increased its autonomy. In particular, the relationship between the Bank and the treasury was clarified. The central bank was prohibited from lending directly to the government, ending the common practice of monetarising the budget deficit.

In January 1991, credit ceilings were abolished. These effectively created huge pools of liquidity, for which the only outlet was to lend to the government at below-market rates.

"These two measures were particularly important, because they cut off the direct pipeline that linked the banking system to public debt," says Antonio Mexia, a director with financial services and investment company Espirito Santo Sociedade de Investimentos (ESSI).

A provision for the central bank to make loans to the government, up to a maximum of 10 per cent of budget expenditure, remains, in the shape of an interest-free current account. But the government has drafted legislation to abolish the account this year, separating government and central-bank finances.

As a result of recent reforms, the central bank has grown more independent, sharing responsibility for monetary and exchange-rate policy with the government, rather than simply implementing government decisions as previously. The Bank no longer needs government authorisation for interventions in money or foreign-exchange markets.

This new-found independence clearly emerges from the public statement of Jose Alberto Tavares Moreira, governor of the Bank of Portugal, and other officials, which today can be seriously at odds with government thinking.

"Our greater outspokenness is a natural consequence of our increased responsibility for monetary policy," says Mr Antonio Borges, deputy governor of the Bank. "We are very much aware that whatever we say now carries a much greater weight in terms of inflation expectations. We have to maintain a strong credibility, and that requires our being as objective as possible in our assessment of the economic situation, independently of the political debate."

A further substantial reform towards the modernisation of the Portuguese financial system and its harmonisation with EC regulations is due to be enacted this year, following the publication of a policy document based on studies of the working of the system. The legislation clarifies the role of the Bank of Portugal, limiting its intervention to the area of prudential supervision but giving it more power to act.

"Previously, we were in the difficult position of monitoring situations, and in some cases seeing banks come close to bankruptcy, without our being able to intervene," says Mr Borges. "Under the new legislation we will have the power to act immediately, if necessary going to the extremes of replacing a bank's management or liquidating the company."

Implementation of the policy document this year will also change the way banks are run. Beyond the central bank's power of prudential supervision, banks will be free to operate in a more liberalised environment. The new legislation establishes the principle of universal banking, formally abolishing the traditional divide between commercial and investment banking.

Some analysts believe the advent of universal banking could tempt some managements to try to be everything at the same time. "The danger is some banks may think they can do anything, anywhere without any segmentation," says Joao Rendeiro, managing director of fund managers Gestifundo. "The critical elements will be an understanding of the various levels of the market and the need to produce a flexible response to different types of customer. The need for segmentation will be more important."

The new legislation will greatly reduce restrictions on the activities banks can undertake. But a separation will be maintained between banking and other financial activities such as factoring and leasing. Banks will not be able to run such operations directly, but they will be permitted to create subsidiaries, of which they can own 100 per cent, to do so.

"Essentially, these operations can be carried out by the same entity and the same management, as long as there is a total separation of accounting so that we can conduct our prudential supervision in a more transparent way," says Mr Borges.

The central bank will also introduce a deposit insurance scheme in line with EC recommendations, requiring much less intervention from the Bank of Portugal to guarantee deposits, should a bank run into trouble.

But the influx of foreign banks is not expected to be overwhelming. In any case, they are expected to focus on wholesale and business banking.

Banco Portugues de Investimento headquarters in Oporto

Artur Santos Silva: pleased with achievements so far

Patrick Blum on expansion in the banking sector

Spectacular growth

PORTUGUESE banks enjoyed explosive growth during 1991.

Networks expanded spectacularly; institutions diversified, and considerably increased the range of products and services they offer; and the traditional division of labour, between commercial and investment banks, was eroded as players battled for market share.

Expansion was fuelled by a 23 per cent increase in corporate and personal credit, in spite of high interest rates. Prime corporate customers now pay about 19 per cent for funds, while the rate for consumer credit can be above 26 per cent.

Economic growth slackened, but at 2.7 per cent remained sufficiently sturdy to encourage demand; and with real wages rising by almost 5 per cent, private consumption was buoyant.

All this provided a propitious setting for financial institutions rushing to complete their expansion plans before January 1993, when they will face open competition within the European Community's single market in financial services.

The most dramatic growth was at Banco Comercial Portugues (BCP), one of Portugal's leading commercial banks, which last year opened 111 branches, bringing its total network to 242 branches. Jorge Jardim Goncalves, BCP president, says 1991 was "the year of greatest effort since the foundation of the bank" six years ago.

BCP took on an extra 1,000 employees (it now has more than 3,000), all of whom required specialised training; expanded the activities of the group in fund management, leasing, brokerage and insurance; and spent another Es5bn ($36m) on computer systems.

Mr Jardim Goncalves says this was achieved without affecting the bank's performance. Total assets grew by over 50 per cent to Es1,206bn, and net profits by 33 per cent to Es18.2bn. Credit extended to clients was up 75 per cent to Es516bn, and customer deposits grew 59 per cent to Es932bn.

Taking a different route, Banco Portugues de Investimento (BPI), the leading private investment bank, pursued its own expansion plans by buying Banco Fonsecas & Burnay (BFB), a medium-size commercial bank that was privatised last summer.

Alexandre Vaz Pinto: forecast more difficult conditions

The purchase of BFB and its 115 branches gives BPI, with headquarters in Oporto and an office in Lisbon, immediate access to a wide section of the market. Artur Santos Silva, BPI president, says the assimilation of the bank into the group is proceeding smoothly, and that this year's targets for strengthening BFB's provisions to cover bad debts and replenish its under-funded pension fund have already been passed.

"We are very pleased with what we've achieved so far. A new strategy for BFB has been prepared, and we will open another 25 branches," he says, adding that BFB will be a retail, not a universal, bank, and that it will target middle segments of the private market and small and medium-sized companies.

The effect of the purchase on the BPI group's consolidated balance sheet, is noticeable already. Total assets rose from Es171bn in 1990 to Es975bn at end-1991; though, even without BFB, group assets doubled to Es305bn. Net profits rose from Es8.6bn in 1990 to Es9.3bn, though the 1990 figure was inflated by extraordinary income from the sale of an 11 per cent stake in another bank.

In direct competition with BPI, the Banco de Comercio e Industria (BCI), a private bank with a leading position in corporate trade financing, expanded organically into the retail sector by more than trebling the number of its branches from 25 to 84 with a total investment of Es21bn. The bank's physical expansion was supported by a punchy advertising campaign, pointedly aimed at customers of the more conservative state-owned banks.

Francisco Veloso, BCI president, says results exceeded the bank's expectations. The number of non-corporate clients almost quadrupled, and in the last six months the value of private deposits more than doubled. "It was very difficult. We had to change everything to meet our targets, but we managed to do it without a [negative] effect on our results."

BCI officials say total deposits (private and corporate) rose from Es63bn in 1990 to Es166bn last year. Credit extended to clients was up 73 per cent from Es94.2bn to Es163bn, and total assets rose 109 per cent from Es147bn to Es308bn.

BCP, BPI and BCI provided the most striking examples of a general trend that is likely to continue this year. Banco Portugues do Atlantico (BPA), Portugal's second largest bank, which was 33 per cent privatised over a year ago and is awaiting a second phase of privatisation, wants to increase the number of its branches from 200 to 260 by the end of 1992. And Banco Totta & Acores (BTA), a leading private bank in which Banesto of Spain has an important stake, plans to open 10 branches by June, to bring its network to 213 branches.

Banco Espirito Santo e Comercial de Lisboa (BESCL), which was fully privatised last month, raised the number of its branches from 168 to 210 last year, and is expected to open another 40 branches this year. Final results for 1991 are likely to show an increase in assets of over 20 per cent, from Es1,197bn to Es1449bn, and net profits up from Es12.5bn to Es15bn.

Now that control of BESCL has returned to the Espirito Santo group, representing the interests of the Espirito Santo family who owned the bank before its nationalisation in 1975, its future will depend on the group's broader strategy.

"BESCL will be the centre of the whole group, but it will remain fundamentally a retail bank. Other group institutions will specialise in investment banking, leasing, insurance and other activities in Portugal and internationally," says Ricardo Espirito Santo Salgado, group chairman.

Foreign banks in Portugal also have expanded. Barclays has grown from five branches in 1990 to 28 at the end of 1991, and plans to have up to 60 branches by the end of this year. Banco Bilbao Viscaya (BBV), the Spanish banking group which bought Lloyds Bank Portugal with its 12 branches in 1990, plans to open another 60 branches this year. Other spanish banks are gradually building up their Portuguese branch networks.

Newcomers add to the pressure. The Banco Nacional de Credito Imobiliario (BNC), a housing mortgage bank established last autumn, plans to open 17 branches this year.

Finantia, a merchant bank in all but name, is awaiting official authorisation to transform itself into a fully fledged bank, as are several other financial services and investment companies. Eduardo Costa, managing director, says Finantia will not compete with the retail banks in the broad market for deposits, but as an investment bank it could effectively draw on corporate clients to increase its funding base.

Finding a cheaper source of funding is one of the main reasons for the investment banks' move into the retail sector. For most banks, broadening their activities is seen also as the only way to secure their future and maintain market shares in the face of increasing competition and declining interest rates and margins.

Alexandre Vaz Pinto, chairman of the Portuguese Bankers Association, says conditions will be more difficult this year. "Margins will fall by about 1 percentage point, but it could be more, especially for banks with a small deposit base which rely on the money markets for funding. The cost of funding on the money markets could rise."

With average margins of about 5 per cent for the big banks, a one-point fall is tolerable, though some bankers believe margins could fall twice that much, and this has to be set against rising operating and expansion costs.

"The time of cheap funding is over," says Mr Veloso. "Controlling costs and risks and improving productivity will be the crucial factors."

Trading in shares declined on the stock exchange, says **Patrick Blum**

Market in the doldrums

WHILE TRANSACTIONS in Portuguese government bonds and securities have boomed in the past year, trading in shares has declined, in spite of official efforts to attract investors back to the bolsas.

Several factors affected the market's performance.

High real interest rates and special fiscal benefits for purchasers of shares in companies being privatised combined to favour investment in government-influenced stocks, at the expense of the broader market.

Private Portuguese investors, who have seen the value of shares steadily decline since the stock market crash of 1987, continued to stay away from the market. At the same time, foreign (mainly institutional and corporate) investors, who had been attracted by expectation of rapid gains in an "emerging" market, have been more cautious, switching their attention to the bond market instead.

The Portuguese market remains small, and is easily influenced by the behaviour of a small number of large transactions. Foreign investors, who often account for the bulk of share transactions, also have a disproportionate effect. Recent reforms have yet to have their full impact.

Last year's figures speak for themselves. The value of transactions in government bonds and securities rose from Es341bn ($2.4bn) in 1990 to Es1,460bn. In contrast, the value of shares traded on the official market, not including share flotation for privatisations or over-the-counter trading on the secondary market, fell from Es260.2bn in 1990 to Es244.1bn last year. The Banco Totta & Acores (BTA) index ended 1991 at 1,953.8 – almost 9 per cent below its level a year earlier – and has since slipped below 1,900.

The focus now for investors, Portuguese and foreign, is on selective investment, based on careful analysis of prospects for specific sectors in the economy, and on the longer-term outlook for a small number of well-chosen companies. Speculative investments are out, though the habit has not been fully shaken, as demonstrated in hectic dealing in shares of companies being privatised.

Jose Carlos Pestana Teixeira, president of the Lisbon bolsa, says high interest rates alone do not explain the poor performance of the stock market: lack of liquidity and insufficient information about the market also played their part. "A large part of information about the market never reaches people, whether in Portugal or abroad." Special efforts will be made to improve the flow of information, he adds.

Lisbon bolsa: three-tier market

New instruments will also be introduced, and a futures and options market, now under consideration, could come into being within 18 months. Meanwhile, Mr Pestana Teixeira hopes to establish marketmakers for shares, as has been done with the government bond market.

Some analysts believe the market remains too rigid and time-consuming. "When an investor takes a decision to buy or sell shares, he wants to move straight away, not weeks later," says one.

Mr Pestana Teixeira rejects this criticism, saying the problem is not technical but one of liquidity, which the creation of marketmakers could help to alleviate. "It's partly a cultural problem. You don't create a market by decree, but by building up the confidence of investors," he says.

He believes that recent and forthcoming reforms will help to make the market more efficient, flexible and transparent. These have included the division of the market into three tiers. The first tier, or "official market", includes a small group of "top" companies, listed on the new computerised continuous-trading system that links the two exchanges in Lisbon and Oporto; and a larger group of about 50 companies, which are quoted twice a day, as under the old system.

Continuous trading was launched last September, with an initial three companies. The number has since grown to 11; and up to 30 could eventually be included, provided they have a minimum market capitalisation of Es500m.

The second tier, or "second market", is for small and medium-size companies with a market capitalisation of at least Es125m. Companies in this tier are quoted whenever there is trading in their shares, but are listed on only one of the two exchanges. At present, this second market consists of three stocks.

The third tier, or "market without quotations", is for companies which do not meet the criteria on liquidity or financial status. Companies in this tier can be traded on either of the two exchanges.

Last year, an independent securities exchange commission was set up, to regulate and supervise the market. The exchanges are now managed by two private companies, which will ultimately merge; while the creation of a central clearing-house for all shares will eventually enable delivery against payment settlements. The number of authorised brokers will be doubled to 20 in Lisbon, and raised from 10 to 14 in Oporto, to encourage greater competition and better services.

Mr Pestana Teixeira believes that, once the reforms are fully understood and assimilated by investors, the market will be in a better position to recover. Interest rates are slowly coming down, and inflation should also fall, with a positive effect on company earnings, leading some analysts to expect an upturn later this year.

"In our view, the BTA index is substantially undervalued," says Jeremy Campbell-Lamerton, director with Baring Securities. "There are stocks available that are as good as any in France, Germany or the UK, and we expect foreign investors to return to Portugal in 1992."

Foreign investment has revitalised Setubal

Record inflows

FOREIGN investment has helped to transform the port of Setubal, 40 kilometres south of Lisbon, from a depressed shipbuilding town to the bustling heart of a new industrial region.

American golfers from local car companies are a familiar sight, where less than a decade ago unemployed workers were queueing outside soup kitchens.

Officials are trying to bring a similar transformation to the crisis-hit region of Vale do Ave, in northern Portugal, where the government estimates that as many as 45,000 jobs could be lost by 2000, as textile, clothing and footwear companies succumb to increased competition.

"Our aim is to attract foreign and domestic investment to the Vale do Ave, so that the industrial and social map of the region can be changed in the same way that investment helped bring new hope and a future to the Setubal area," says Miguel Athayde Marques, president of the Portuguese Foreign Trade Institute (ICEP), which is also responsible for foreign investment.

Attracted mainly by low costs, a competitive labour force and high incentives, foreign investment has flooded into the Setubal region over the past six years. Workers shed by the shipbuilding and heavy-engineering industries can now find jobs at high-technology plants such Ford Electronics, Delco Remy ignition systems and Valmet tractors.

But the impact of foreign investment on the Setubal area will not reach its peak for another three years, when an Es450bn ($3.2bn) Ford-Volkswagen plant, the biggest foreign investment ever made in Portugal, will begin production of a five-door, seven-seat multi-purpose vehicle.

The coveted Ford-VW project helped to bring total foreign investment in Portugal up to a record Es799bn last year, a 67 per cent increase on 1990. This includes only shareholders' capital; overall investment in a total of 3,000 projects was above Es1,000bn. The annual rate of foreign investment has grown a remarkable 37-fold since Portugal joined the EC in 1986.

"Investments like the Ford-VM project don't come along every day," says Mr Athayde Marques, "but we will be happy if we can maintain foreign investment in 1992 at the 1990 level of Es479bn."

Lisbon newspapers are already reporting two big potential foreign investment projects for the Vale do Ave area: a Samsung semi-conductor plant, involving an investment of Es60bn and 600 jobs; and a Nokia project to produce televisions and computer monitors, involving an investment of Es10bn. Officials prefer not to comment on such reports, but they are confident that the region will prove attractive.

"Companies will find ready-trained workforces that can be easily adapted to new skills through vocational training," says Mr Athayde Marques. "There are also industrial plants ready for adaptation, as well as green-field sites and good infrastructures that are constantly being improved."

Special EC-financed incentives will be available for investment in the area, under a programme known as Sindave. Grants will cover 75 per cent of viable projects. Tax incentives and venture-capital funds will also be on offer.

These incentives are additional to Portugal's intrinsic attractions to investors. Mr Athayde Marques sees the country as a low-cost centre offering competitive productivity and direct access to the EC's affluent consumers. "It's a question of good value for money, rather than being cheap or expensive," he says. "On top of this, Portugal enjoys political stability and labour peace, with less than half the EC average for days lost through strikes."

Given Portugal's low unemployment rate and the need to diversify and modernise industry, concern is being shown about the quality, rather than the size, of foreign investment projects. Broadly speaking, for projects of less than Es10bn, incentives are awarded automatically according to a points system, regardless of whether the project is foreign or Portuguese. Above that level, a contractual system applies, under which the authorities take into account:

■ The extent to which the project introduces new technology and upgrades the labour-force through vocational training;

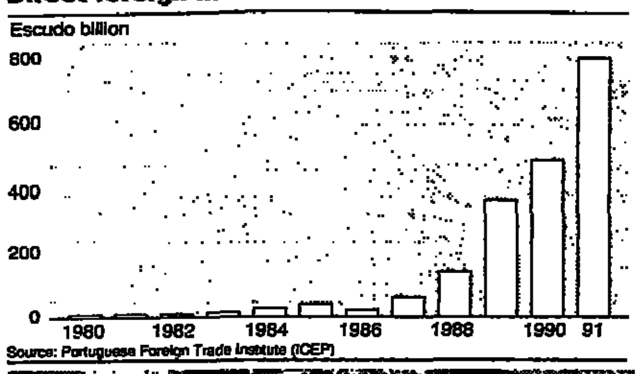
■ The export content of the project, and the extent to which it will help reduce the trade deficit; and

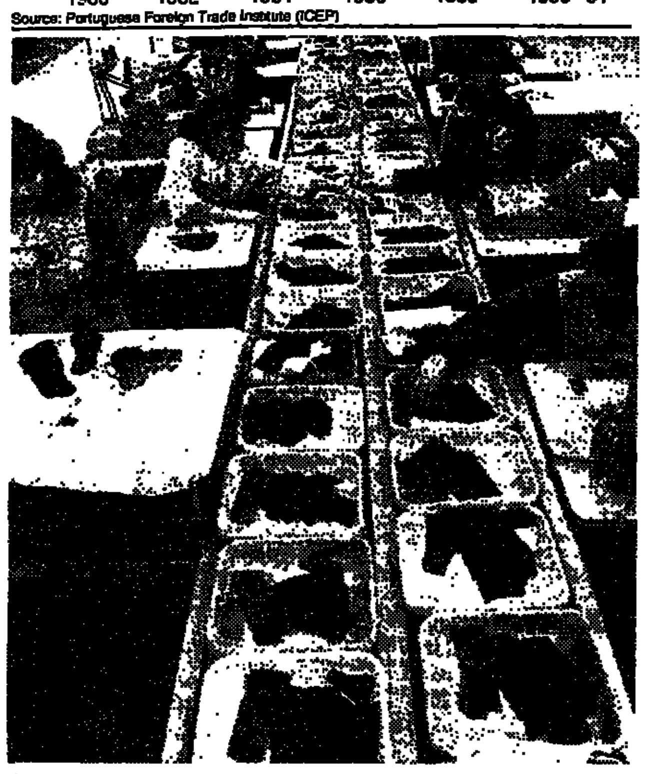
■ The extent to which the project will be anchored in the community, in terms of upstream and downstream links. Stand-alone projects that could facilitate future disinvestment will be at a disadvantage.

In assessing potential investment, the authorities first look at an investment banker's business plan for the financial and strategic aspects of the project. They want to know the forecast internal rate of return, the risks involved, and how those risks can be hedged.

They also consider how the project fits in with the company's global strategy. A crucial condition will be that projects must be profitable in themselves, and not depend on the award of incentives for their viability. A further examination will be made of the impact of the project in regional and national terms. It should also have a positive effect on trade and foreign-exchange balances.

Peter Wise





Shoe production line: victim of increased competition

INSURANCE

Sector grows fast in a decade of change

THE PORTUGUESE insurance sector has gone through as much change in a decade as most industries would experience in a lifetime, and the challenge is not over yet.

Nationalisation, mergers, the growth of underdeveloped types of insurance, an influx of foreign investors, and changes in both the products and the way they are sold: every factor imaginable has been subject to incredible flux.

Celso Cardoso do Amaral, managing director of Union des Assurances de Paris (UAP), a French-based international insurance company, reflects the change. When asked what challenges he sees for the future for his company, he leaps eagerly to his feet in an elegant boardroom, and flicks back the pages of two flipcharts behind him.

They show rapidly-written scrawls on many sheets, evidence of brainstorming which has taken place only a few days earlier with senior colleagues. UAP is in the throes of adjustment to the merger of four companies: Aliança Seguradora, UAP Portugal, UAP Portugal Vida and Garantia.

"We have sorted out our logo and decided on our new name: UAP-Aliança," he says proudly. "Now we have a five-year plan. Our priorities are to harmonise internal systems, improve performance per employee, and to do it as fast as possible."

In another, rather humbler, office only a few minutes away across Lisbon, adjustments of a different kind are going on. Mr Nuno Cardoso da Silva, director of marketing at Mundial Confiança, one of the state-owned insurance companies, is preparing for privatisation.

A few years ago, three nationalised companies were merged into the present one. The business is perhaps still adjusting to that influence. But now it is having to prepare for the uncertainties of private ownership and an increasingly competitive insurance market, while still digesting the effects of over-staffing of the last few years.

"We were probably the only successful merger at the time it happened," says Mr Cardoso da Silva. "It was highly profitable and all very nice. But I am less optimistic about the future. Whatever happened in the past bears no relation to what will happen now."

If there were a book on the recent history of insurance in Portugal, it would probably begin in 1974. Previously there had been a regulated and stable market, which remained almost unchanged for more than 40 years.

Then came the Revolution, and with it, nationalisation. About 23 companies were taken into state ownership. Many of the existing executives trained in the sector left the boards. Other qualified staff drifted away. Contact with international insurance organisations came to an end.

Renewed change did not take long, however. In 1976, the National Insurance Institute was created under the auspices of the ministry of finance. Many laws and regulations were reviewed. Ruy de Carvalho, president of the Association of Portuguese Insurers, says there then followed a "very shy liberalisation" over the next decade, partly in preparation for membership of the European Community.

Actions on solvency margins, third-party liability and freedom of establishment (determining who could set up in business) were taken, to bring Portugal into line with its other European counterparts, he says.

There were innovations in the development of work-based compensation. Automobile insurance became compulsory. The 23 state insurance companies were merged into six large groups, while foreign companies began to nibble at the market again.

"We were very close to economic chaos," says Mr Carvalho. "It seems incredible today but not at that time."

It was not until the late 1980s that a clause in the Portuguese constitution forbidding privatisation was overturned. But for several years, the government had allowed the nationalised companies to act almost as if they were private.

From 44 companies in 1983, the sector has now grown to about 80. Many are branch offices of foreign insurance companies, led numerically by British owners, followed by the Germans and the French. Foreign companies collected 19 per cent of all Portuguese premiums in 1986. Last year the figure had increased to 28 per cent.

Aside from Açoreana, which deals with insurance in the Azores, only two directly state-owned insurance companies remain to be fully sold to the private sector: Mundial and Império. Both sales should be completed this year.

That leaves two others – Fidelidade and Cosec – which are owned through state-controlled financial conglomerates. One of these at least may soon also be sold.

Portugal still represents only a tiny part of the European market for insurance, with an estimated market share of 0.5 per cent. But it is developing fast. The ratio of premiums to gross domestic product, which stood at 2 per cent for many years, is now at about 4 per cent and rapidly growing towards the European average of 6 per cent.

The penetration for non-life business is already roughly comparable. Life business is far less developed, and has experienced rapid compensatory expansion in the last few years as a result, growing by 80 per cent in 1989, more than 50 per cent in 1990 and at an estimated rate of 33 per cent in 1991.

At the same time, there has been a lot of product innovation, says Mr Carvalho. The re-opening of the Portuguese stock exchange opened opportunities for creating new life products. "In the old days, we had products we tried to sell to customers," he says. "Now we have clients and try to understand what they need."

The distribution network, for insurance, is still tightly controlled, with work from agents and brokers representing 60-65 per cent of premiums. However, the banks and even the post office are beginning to take a share of business.

Before his enthusiasm goes too far, however, Mr Carvalho stops, almost in mid-sentence. "That's the good news. Now let's deal with the bad," he says.

Many of the insurance companies appear to be overstaffed. That reflects political decisions by the state to find jobs for all those returning from its former colonies, and also to provide guarantees during the mergers within the sector. It is still extremely difficult to fire people.

Profit levels are unsatisfactory. In fact, at 2 per cent of premiums with current inflation, Mr Carvalho estimates that there are no profits being made at the moment, although premiums continue to fall. Regulation and taxes on premiums remain.

"Personally, I feel that the companies have to do something about the level of competition," he says. "From now until 1995 there will be difficult times. This year will be the most difficult."

Mr Cardoso do Amaral, of UAP, concedes the same point. "We must be viable and profitable," he says. "These are words not often used in the insurance industry in Portugal."

Andrew Jack

PRIVATISATION

The state prevails

BY NEXT winter, Portuguese viewers will be able to choose from four television channels instead of the existing two state-owned networks, following the award of two private broadcasting licences.

Choice is also increasing in other walks of life, as the government pursues an ambitious programme of economic liberalisation and privatisation.

Thirteen important companies have been wholly or partly privatised since April 1989, raising a total of Es364bn ($2.6bn). State monopolies or privileges involving gasoline, cereals, alcohol, sugar and other products have been dismantled. Financial markets have been liberalised. State-owned newspapers have been turned over to private enterprise, radio opened to private broadcasters and airline competition freed.

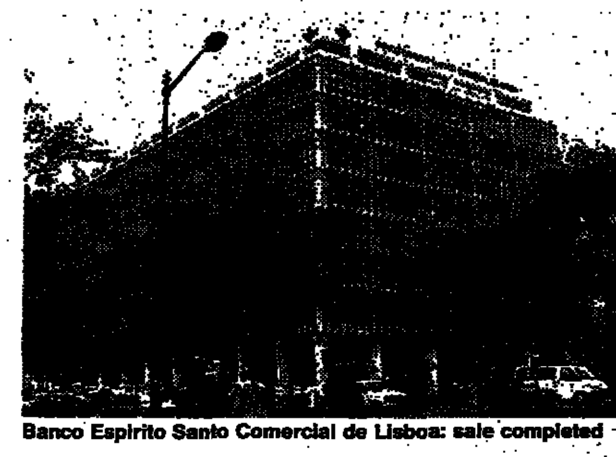
In spite of this wave of liberalisation, the state continues to play a dominant role in an economy where the public administrative sector alone generates nearly 50 per cent of gross domestic product. Matters from the price of bread to the cost of a train ticket are still determined by the state.

"After the sweeping nationalisations of 1975, state ownership in Portugal was comparable only with the communist regimes of eastern Europe," says Alfredo de Sousa, a professor of economics at the Universidade Nova de Lisboa. "The pendulum has moved a long way, but it still hasn't reached the other side."

Prof de Sousa is one of several critics who believe the government could have moved the privatisation process along faster. He blames indecision, bureaucracy and the setting of specific objectives for each privatisation for what he sees as unnecessary delays.

Some analysts say delays in the privatisation of Portugal's steel, oil and cement companies could lead to a substantial reduction in their price, because of a less favourable economic climate in the relevant sectors, loss of market position, sharp falls in profitability and unforecast losses.

Vitor Constancio: opposed to private monopolies



Banco Espirito Santo Comercial de Lisboa: sale completed

But others argue that the depressed state of the country's capital markets has held the process back. "Only by allowing a much bigger participation of foreigners in the privatisation programme would it have been possible to move ahead more quickly," says Vitor Constancio, a professor of economics and former finance minister.

The government has made clear that foreign control of privatised companies will not generally be authorised. In all but two privatisations, foreign participation has been limited to between 2 and 35 per cent. This is naturally unpopular with foreign investors. But what is proving even more unpopular with their Portuguese counterparts is that these limits have rarely been observed.

Prof Constancio, a former leader of the opposition Socialist party, also opposes plans to privatise more than 50 per cent of Portucel, a leading pulp and paper company, and two cement companies: "I would maintain state control over these companies which are important to the economy, use natural resources and are in a position of virtual monopoly, especially the cement companies ... The only thing that is worse than a public monopoly is a private monopoly."

The government has announced an acceleration of the privatisation programme in 1992, following a suspension for last October's general election. Revenue from privatisations is forecast to reach Es350bn this year, as some of the biggest state-owned companies go on sale.

The sale of a remaining 60 per cent of state-owned capital in Banco Espirito Santo Comercial de Lisboa, the second largest commercial bank, was completed on February 25. One of the biggest privatisation attractions this year will be the beginning of the sale of the oil company Petrogal, Portugal's largest commercial enterprise.

The first stage of the sale will by public subscription for 19m Es1,000 shares – representing a capital increase of 20 per cent – together with the sale of 5.2 per cent of existing capital. Bidders must undertake to purchase a further 25 per cent of current capital within a maximum of three years after the close of the initial sale. This will give the winner control of more than 50 per cent of the company. The runner-up in the first phase will be given a chance to raise its offer if it was originally within 2.5 per cent of the top price.

Candidates must be "financially sound" and bid through specifically incorporated holding companies with a minimum capital of Es31bn. Foreign participation must be limited to 40 per cent of the voting capital.

The projected price per share is Es1,700 for an expected total cash flow of Es131bn. This is down from an earlier valuation of Es140bn, partly because of 1991 operating losses, the first in five years. A $300m syndicated loan agreement that Petrogal signed in London last December should help to make the company more attractive.

Other companies expected to be at least partially privatised this year include:

■ Banco Pinto & Sotto Mayor, with an estimated value of Es60bn;

■ Siderurgia Nacional, a steel company in which the state will retain a 10-per-cent "golden share";

■ Mundial Confianca, an insurance company, of which an indivisible block representing 40 per cent of the total capital will be sold;

■ Banco Portugues do Atlantico, the second stage of the sale of Portugal's largest commercial bank;

■ Quimitecnica (chemicals);

■ Imperio (insurance); and

■ Rodoviaria de Algarve (road transport).

Andrew Jack

Madeira's challenge to established financial centres shows results, as the Azores sets up a free trade area

Ready to increase offshore business

A SMALL group of islands off the west coast of Africa, almost 900 kilometres from Europe and where almost everything has to be imported, was an unusual choice of location for a new international business centre.

But after three years, Madeira has nearly 500 companies registered to operate either in its offshore financial centre or in its free trade zone. This is few by comparison with other centres, but officials believe growth will accelerate now that most of the legislation has been ironed out and the infrastructure improved.

They say that Madeira offers competitive incentives and that, though it is distant from continental Europe, it is an autonomous region of Portugal anchored in the European Community, as well as a convenient stop-off point between Europe and north and south America.

"We had to develop infrastructures, we are building a deep sea harbour, and all this takes a long time, but the prospects are very good," says Francisco Costa, chairman of the Madeira Development Company (SDM), which is responsible for developing offshore activities.

Nineteen banks and one insurance company are operating offshore. Most are branches of Portuguese institutions, with a few international banks, including Manufacturers Hanover, Lloyds Bank Fund Management (Channel Islands), Crédit Lyonnais, and Deutsche Bank. Banco Bilbao Vizcaya, the Spanish banking group, is awaiting a licence to open a branch.

Bankers say the offshore business has been exceptionally good. David Caldeira, general manager of the offshore branch of Caixa Geral de Depositos (CGD), the biggest Portuguese bank, says business has grown faster than expected, increasing more than tenfold between 1990 and 1991.

Investors have come mainly from Europe, and from South America where interest has been surprisingly strong, with clients transferring their deposits to Madeira.

Mr Caldeira believes that the language and Madeira's image as being clean and safe are important factors for South American investors; while European clients are more interested in Portuguese bonds and securities and taking advantage of the tax breaks.

Madeira: competition with well-established European centres is formidable

Lino Bento, operations executive at the offshore branch of Banco Espirito Santo e Comercial de Lisboa (BESCL), Portugal's third largest bank, says security is a big preoccupation among non-European clients. "Many are not particularly concerned about interest rates. The main thing for them is to know that their funds are safe."

Spanish investors see Madeira as an alternative to Gibraltar; and farther afield, an increasing number of clients are coming from South Africa and the Far East.

Fernando Couto, manager of New Madeira Investment Servicos, a management and registration company, notices increased interest from Hong Kong. So far it has been mainly in the financial sector, but he expects more companies to come to the free zone.

The free zone, where manufacturing is concentrated, is on a 120-hectare site on the main island's eastern coast, 8km from the airport and 30km from Funchal, the island's main town. The first phase of development is well advanced. The hilly landscape has been levelled, and new factories are springing up. Work has also begun on enlarging the tunnel on the access road between the free zone and Canical, a nearby town from where many new factories recruit their workers.

A new deep-sea harbour, which will allow goods to be shipped directly in and out of the free zone, is due to be completed by October.

Ten companies are manufacturing in the free zone, with two more awaiting a licence and several others (including one from the Far East which could create up to 1,000 jobs) under discussion. They include manufacturers of high-tech optical instruments, textiles, household appliances, food, marble and jewellery, and have come from as far apart as Brazil, Hong Kong, Lebanon, Ireland and Portugal.

Bradley Clarke, general manager of Optronique, which makes precision optical instruments, says the worst problem was bureaucracy. It had been difficult to obtain residence permits, and there were long delays over customs clearance for goods; but most of these problems had been overcome.

Mr Clarke came to Madeira from South Africa, because it was close to the company's export markets in Europe, North Africa and the Middle East, and to its sources of materials. It offered good financial conditions and a politically stable environment.

Stanley Lam, of Sheenotto Industries of Hong Kong, manager of a clothes factory, says good incentives, low labour costs, and Madeira's location between Europe and the US were deciding factors. "It takes 21 days to ship goods from Hong Kong to the US, but from here it can take as little as 11 days."

Edgar Rodrigues de Aguiar, of Amaplast, a Brazilian plastics manufacturer, emigrated from Madeira to Brazil 16 years ago. He says there were sentimental reasons for coming back to Madeira, but "you don't make an investment just for sentimental reasons". The 2,000 square metres factory, which makes plastic bags, is capital-intensive and employs 62 workers on continuous production. At the moment, goods have to be sent by road to Funchal for shipping, but the new deep-sea port will reduce transport costs and save time.

A new international shipping register was established, to complete the range of facilities available, but this proved troublesome. Portuguese social security legislation and restrictive clauses covering crews had to be changed.

Registered ships sail under the Portuguese flag, and according to Portugal's laws, the captain and at least 50 per cent of crews had to be Portuguese, making the register unattractive for most ship-owners. The law has been amended, abolishing the nationality requirement for crews, except for ships that call regularly at Portuguese ports, which must have 50 per cent EC crews. The new law comes into force this month.

Patrick Blum

Decisive step forward

THE MID-ATLANTIC archipelago of the Azores is following in Madeira's footsteps by launching a free trade zone and offshore centre based on the island of Santa Maria. Companies that set up there benefit from conditions similar to those in Madeira, such as a zero tax rate and EC membership as well as cash grants covering a large proportion of investment costs.

The project took a decisive step forward in June 1991 with the final ratification by the EC and the central Portuguese government of the Azores' application to add an offshore financial and services centre to the free zone. Santa Maria was chosen as the base for the free zone mainly because of the availability of surplus manpower and infrastructures after the island's airport, once a key transatlantic refuelling point, lost importance with the advent of long-range aircraft. Large investments have since upgraded the airport for the use of companies operating in the free zone. A port has been built and telecommunications are being modernized to provide high quality telephone, computer and satellite communications by 1993.

The free zone covers an area of more than 400,000 square metres. Modern offices and warehouse space is rented to companies until they build their own facilities. However, investors are not limited to setting up in the designated area of Santa Maria. Companies can seek authorisation to establish production facilities anywhere in the nine-island Azores archipelago and still enjoy all the benefits of the free zone, apart from a 20 per cent reduction in some incentives.

The benefits for companies operating within the ambit of the zone include exemption from corporate and personal taxation until 2012; exemption from customs duties and local taxes; free repatriation of funds, dividends and capital gains; low company registration fees; and grants of up to 100 per cent of the cost of training workers and 50 per cent of the cost of renting land and buildings, construction, industrial installation and the purchase of equipment and machinery.

Two companies already working in the zone have installed plants in Sao Miguel Island. One taps the island's forestry resources to produce industrial wood products; the other restores and exports classic cars. A third company, takes full advantage of training grants to provide courses for computer technicians and will recruit the best students for its own production plant in the Santa Maria free zone. At least 12 other companies are preparing to set up in the zone amid growing global interest.

"Santa Maria is proving particularly attractive to companies from Australia, China, Macao and other Asian countries who are looking for an entry to Europe," says Joao Gago da Camara, the head of Sociedade de Desenvolvimento da Zona Franca Mariense (Zofram), the company that runs the zone on a concessionary basis.

For classification of the origin of products, production in the zone is divided into Portuguese, European and non-European classes. Normal international quota limits apply to exports from the zone, depending on the level of European or other content. However, Zofram hopes to establish specific agreements with regions, including Europe and the United States, to waive the application of quota restrictions on goods from the zone as an added stimulus to the development of the Azores.

Peter Wise

COMMODITIES AND AGRICULTURE

EC farm reforms tripped in final straight

David Gardner on the battery of imponderables facing the Commission

European Commission plans to reform fundamentally the Common Agricultural Policy entered what looked like the final straight yesterday – at which point several EC member states stuck out their legs to trip them up.

Nonetheless, the main evidence that agriculture ministers are at last having to face up to decisions on reform was that some were forced to drop any pretence at going along with the Brussels blueprint and state their real objections.

Before the ministers was a detailed compromise proposal by the Portuguese presidency of the EC, worked out by officials from the 12 within the Commission's framework. This was billed as "the final compromise".

For cereals, the centrepiece of the reform, the Commission's planned 35 per cent price cut over three years has been reduced to 30 per cent. Less compensation for the price cuts would be paid, however, although the possibility of more compensation for taking land out of production is contemplated.

The price cuts are meant to cut overproduction, while compensating farmers fully with direct income payments - conditional for larger farms on setting aside land. The policing of this scheme on an individual farm basis ran into strong administrative resistance among the 12.

Germany claimed it would cost Ecu500m ($602m) to monitor and Belgium said it would take five years to introduce. That argument has been resolved by selecting the equivalent of an English county as the unit from which to calculate the areas sown and set aside. Individual farmers can also present their own "base area", but both units will be penalised for any cheating.

The compromise also envisages a less restrictive definition of beef and dairy herd eligibility for premium payments. The Commission had wanted to discourage intensive farming by setting a density limit of 1.4 head per hectare. This would now rise to 2 head per hectare.

A ceiling on intervention stockpiles of beef would be established at 800,000 tonnes in 1993, descending gradually to 300,000 tonnes in 1997.

The beef mountain now stands at some some 1m tonnes, but only because a further 1m tonnes was sold abroad last year at prices around a quarter of market levels. Equally, the complex "safety net" arrangement, whereby the Commission must buy in surplus beef once prices fall below 72 per cent of EC "intervention" prices, would have its price trigger lowered to 55 per cent - though this presupposes a 15 per cent price cut.

British sheep farmers in disadvantaged hill areas would be subsidised for herds up to 1,000 head, as now, rather than 750, as Brussels had planned. And milk producers across the EC would be treated more flexibly than the reform envisaged - especially in Italy, Greece and Spain.

Although ministers last November accepted the thrust of the Commission's reform, the UK, Denmark and the Netherlands – which as EC president at that time announced acceptance "in principle" of the Brussels plan – yesterday raised objections of principle.

Mr John Gummer, UK farm minister, said "this was not a whole lot of countries whingeing about national interest, but saying that although we have to have reform, the avenue down which we are going is the wrong one." He called for "degressive compensation for price cuts...so that the market signals get through."

France, the plan's most resolute opponent until recently, accepted its thrust. Ireland, its usual ally, was deeply unhappy with the proposed beef regime. But Germany, the EC's leading advocate of farm subsidy cuts to enable a Uruguay Round world trade deal, presented a point by point shopping list of objections which would greatly raise the already criticised cost of the reform.

The German stance visibly disconcerted the Commission, which now faces a battery of imponderables before deciding its tactics:

- The fast-fading Uruguay Round talks, which hinge on farm subsidy cuts which condition CAP reform;
- Criticised Commission plans to increase EC revenue by a third in the next five years. Germany, the main net contributor to the EC budget, is least disposed towards the increase. Yet Mr Ignaz Kiechle, its farm minister, is adding to the bill even while the Commission is looking for budget cuts - which may start in agriculture;
- Forthcoming elections in the UK, France and Italy, seen as a disincentive to radical decision-making;
- The 1992-93 farm price regime, which the Commission is due to agree on March 18.

Mr Ray MacSharry, author of the reform plan, said yesterday he would "take account of the stage and state of the (reform) negotiations" before deciding whether to introduce new price cuts this year without compensation.

This weapon is a double-edged sword, however, in that it would favour the position of the UK, Holland and Denmark, in a negotiation where each member state is trying to safeguard the competitive position of its farmers.


Ray MacSharry: a double-edged weapon

Prices fall as India relaxes bullion imports

By R.C.Murthy in Bombay

THE BOMBAY bullion market reacted bearishly yesterday to the Indian government's proposed relaxation of the 22-year ban on gold imports.

Expatriate Indians are to be allowed to import 5 kilos of gold as part a bid to end smuggling, the government announced in its Budget statement over the weekend.

Smuggling has hitherto been the main source of supply to citizens who crave for the precious metal.

The gold price on the Bombay market – pacesetter for other Indian centres – fell by 232 rupees or 5 per cent to Rs. 4,418 ($168.78) per 10 grams of gold yesterday, the first day of trading since the announcement. Monday was a holiday.

A 15 per cent import duty on gold, payable in convertible currencies, will be levied with the twin purpose of narrowing the gap of Rs.900 per 10 grams between local and international gold prices and of easing India's present foreign exchange crisis.

India is estimated to consume some 220 tonnes of gold a year.

Two-thirds of the country's demand is met by imports and most of the rest is met by scrap or recycled old jewellery. Only about two tonnes of gold a year is mined in India.

India has strict foreign exchange controls. They have encouraged a flourishing underground economy and substantial premium for the dollar over the official exchange rate.

Dubai-based gold smugglers also operate as money changers for Indian expatriates, who remit money for their families back home and use the convertible currencies to finance gold imports to India.

The Indian government has introduced a dual exchange rate for the rupee in an attempt to put unofficial money changers out of business. Sixty per cent of proceeds from merchandise exports and invisible earnings can be sold at market rates and the remaining 40 per cent has to be handed over to the Reserve Bank of India at the official rate.

The US dollar was quoted at Rs.29.40 on the free market on the first day yesterday against the black market conversion rate of Rs.31.50. When parity is achieved between the two and expatriate Indians bring in gold in sufficient quantity, smugglers will have no role as money changers for expatriates in the Gulf and in gold supply.

S African gold producers divided on forward selling

By Philip Gawith in Johannesburg

DIFFERENCES between South African gold producers about the merits of selling gold forward have resurfaced following the publication in a local journal of an article suggesting that the practice does not pay.

Mr Hugh Munro, formerly chief consulting engineer in Union Corporation, now part of the Gencor group, claims in in the Journal of the South African Institute of Mining and Metallurgy that Western gold producers lost $2.5bn revenue in 1990 through forward sales of gold.

Mr Munro's conclusions have met with a mixed, if predictable, reception. They have been welcomed by Gengold, which is a reluctant forward seller and dismissed by Anglo American, the world's largest producer.

Mr Munro says forward sales consist of gold leased from banks at a very low rate of interest. It is then sold on the spot market, and the proceeds invested at the US dollar London Interbank Offered Rate (Libor) at a much higher interest rate.

The difference between these two rates is the gold contango. Over the past three years has between 3 and 8 per cent.

Mr Munro's claim is that producers overlook the loss attached to enjoying this contango. His calculations attempt to prove that every extra tonne of gold sold per annum reduces the price by about 20 cents an ounce.

Based on Gold Fields Minerals Services figures for 1990, Mr Munro calculates that non-Communist mines would have made a monetary gain of $2.55bn in 1990 had they not sold gold forward.

In the article he argues that, if his views are accepted, then forward sales will diminish and many gold loans will be repaid so that the price of gold will rise "fairly rapidly to a level perhaps in excess of $400 per ounce," and possibly as high as $500.

Mr Gary Maude, managing director of Gengold, said that he supported Mr Munro's conclusions which "back up some of the feelings we've had."

Gengold's approach to forward sales was that they were necessary only in special cases where a marginal mine was likely to go under if it did not sell forward, Mr Maude added.

Mr Kelvin Williams, marketing manager for the gold and uranium division at Anglo American, said his company was sceptical of the reasoning and conclusions contained in the article. "The simplistic application of complicated mathematics to a collection of dynamic factors in the market is sufficiently removed from reality for it to be fruitless to comment," he said.

Two other factors which diminish the worth of the analysis in the view of Anglo American are the figures on which it is based and the failure to take account of the impact of paper gold transactions on the market.

US and Canada declare war on gypsy moth invaders

By Bernard Simon in Toronto

PEST-CONTROL authorities in the US and Canada next month will start spraying insecticide over large parts of three west coast cities, including Vancouver's central business district, in the hope of controlling an influx of Asian gypsy moths.

The moths, which have arrived on Russian grain vessels over the past few years, are voracious foliage eaters, especially of coniferous plant species found in British Columbia and the north-west US.

Apart from the threat posed to forests, Canadian authorities are concerned that Washington may try to contain the moths by imposing a certification requirement or some other non-tariff barrier on British Columbia lumber exports.

Aerial and ground spraying is expected to start in Vancouver and the US cities of Portland, Oregon, and Tacoma, Washington, in the second half of April. The programme is scheduled for completion in early June.

The Vancouver programme, covering 43,000 acres, has already been approved. US Department of Agriculture officials are still awaiting funding for the $20m budget to spray almost 140,000 acres in Tacoma and Portland.

The US programme also provides for surveys at other high-risk ports used by vessels from eastern Russia.

The spraying will be done with a bacterial insecticide, known as *bacillus thuringiensis*, which is specifically designed to exterminate caterpillars and has no known effects on humans, large animals or fish.

Mr Gordon Powell, the Canadian official in charge of the Vancouver project, said that discomfort to humans is expected to be minimal.

Helicopters will spray three applications of the insecticide over Vancouver's downtown area between sunrise and 7am when few people are on the streets.

The Asian moths were first noticed in substantial numbers in the winter of 1990-91.

Zinc output forecast to fall 1.1% in 1992

By Kenneth Gooding, Mining Correspondent

EUROPE WILL continue to bear the brunt of cuts in production capacity caused by present low zinc prices, a report from the Metal Bulletin Research organisation suggests.

This year concentrate production is likely to cease at Outokumpu's Vihanti smelter in Finland, Metallgesellschaft's Meggen smelter in Germany and the Rubiales smelter owned by Exminesa in Spain. More closures can be expected in 1993, the report adds.

In 1993, however, Asturiana de Zinc's San Juan de Nieva smelter will eventually help to restore world-wide cuts in refined zinc production.

Closures already announced include those by Cominco in Canada and Ruhrzink in Germany as well as Vieille Montagne's Overpelt plant in the Netherlands and the temporary shutdown of Nouva Samin's Crontone plant in Spain.

These will "more than outweigh the modest additions to capacity scheduled to come on stream this year," says Metal Bulletin Research.

Analysts Ms Rosalind Stewart and Mr Neil Buxton forecast a 1.1 per cent fall in refined zinc output this year to 5.24m tonnes and then a 2.4 per cent increase in 1993 to 5.365m tonnes.

They suggest the zinc market was oversupplied by 185,000 tonnes last year, the largest surplus since the mid-1970s. In 1992 the surplus is forecast to fall to 46,000 tonnes which would leave stocks at the end of this year at 700,000 tonnes, or 6.9 weeks of consumption, – the highest since 1984. In 1993 stocks should be cut by a supply deficit of 145,000 tonnes.

The report suggests there is little room for zinc prices to fall far – a move below $1,000 a tonne would probably prompt more output cuts – and there should be rallies towards $1,400.

For 1992 the report expects cash zinc prices to average $1,200 a tonne. Next year's average predicted to be $1,450 a tonne, with prices ranging between $1,250 and $1,650.

LME WAREHOUSE STOCKS (As at Monday's close) tonnes

Aluminium	+4,325	to	1,119,375
Copper	+25	to	302,750
Lead	+1,725	to	134,825
Nickel	+916	to	22,350
Zinc	+3,050	to	208,300
Tin	+195	to	12,615

Bid to end sugar strikes in Jamaica and Barbados

By Canute James in Kingston

NEGOTIATIONS between mill operators and labour unions began yesterday in Jamaica and Barbados with the aim of ending strikes which have crippled the sugar industry in the two Caribbean islands.

Seven of Jamaica's nine mills have been closed by a dispute over wages. Spokesmen for the industry said yesterday that if the stoppage does not end in the near future it will threaten achievement of this year's production target of 230,000 tonnes.

Reduced output will also curb the island's ability to meet its quota commitments to the European Community and the US. While the unions are asking for wage increases of 300 per cent, mill owners are offering 50 per cent.

In Barbados the industry, which was shut down for several months because it ran out of money, has been unable to start this year's harvest because of another pay dispute.

The unions are asking for an increase of 8 per cent, but Barbados Sugar Industry, the owner of the island's mills, is suggesting a wage freeze because of the weak state of its finances.

It owes the state-owned Barbados National Bank about $87m. No new credit is being granted as the government has agreed with the International Monetary Fund to cut the public sector deficit.

Barbados's sugar industry has seen its production fall in recent years. The 1991 harvest yielded 65,774 tonnes, the lowest in 60 years.

The industry has been having difficulty meeting its quota commitments to the EC and the US and satisfying domestic demand.

MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,640-1,730 (same).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.60-3.10 (2.80-3.20).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 1.00-1.20 (0.95-1.10).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 28.50-29.50 (28-29).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 115-125 (same).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.20-2.25 (2.23-2.27).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 4.80-5.50.

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO_3, cif, 56-66 (same).

VANADIUM: European free market, min. 98 per cent, $ a lb V_2O_5, cif, 2.25-2.35 (same).

URANIUM: Nuexco exchange value, $ per lb, U_3O_8, 8.00 (same).

WORLD COMMODITIES PRICES

MARKET REPORT

Zinc hit three-month highs on the LME while nickel closed near eight-month lows. Three month zinc ended kerb trading above $1,200 a tonne on short covering and talk of a pay strike at a Mexican smelter. Three-month nickel touched an eight-month low of $7,540 a tonne in the afternoon on trade selling. Talk that Norilsk in Russia has been granted export licences for 20,000 tonnes of metal and can ship 8,000 tonnes out of its own warehouses underlined bearish fundamental sentiment. Lead held near 4½-month highs struck in the morning as speculative interest was attracted by the current upward move. The market is underpinned by talk of secondary metal cuts in the US and impending rationalisation in Europe. Aluminium also advanced, three-month metal moving smartly back above $1,300 on US short covering against a background of physical demand. Silver futures were ahead at midsession in New York, but gains were limited by Monday's news that Comex warehouse stocks were 1.7m ounces ahead at a record 280,690,354 ounces. That offset a 0.9 per cent rise in US economic leading indicators which pointed to an economic recovery and a possible increase in industrial demand for the metal.

Compiled from Reuters

London Markets

SPOT MARKETS		+ or -
Crude oil (per barrel FOB)		
Dubai	$14.95-5.05w	-.325
Brent Blend (dated)	$17.05-7.15w	-.225
Brent Blend (Apr)	$17.20-7.25	-0.20
W.T.I. (1 pm est)	$18.35-8.40w	-0.15
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$198-202	+1
Gas Oil	$156-157	-3
Heavy Fuel Oil	$69-71	+1
Naphtha	$178-179	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$351.75	+0.9
Silver (per troy oz)♣	415.5c	+5.5
Platinum (per troy oz)	$363.5	+5.8
Palladium (per troy oz)	$84.35	+0.85
Copper (US Producer)	108.63c	-0.55
Lead (US Producer)	37c	
Tin (Kuala Lumpur market)	14.11r	-0.06
Tin (New York)	258.5c	-1.5
Zinc (US Prime Western)	62c	
Cattle (live weight)†	107.62p	+1.29
Sheep (live weight)†♦	100.70p	-0.28
Pigs (live weight)†	94.98p	+3.26
London daily sugar (raw)	$204.2v	
London daily sugar (white)	$261.3v	+1.3
Tate and Lyle export price	£224.5	+1
Barley (English feed)	£120.75	
Maize (US No. 3 yellow)	£148.0	
Wheat (US Dark Northern)	Unq.	
Rubber (Apr)♥	52.50p	+0.25
Rubber (May)♥	52.75p	+0.25
Rubber (KL RSS No 1 Mar)	210.0m	-0.5
Coconut oil (Philippines)§	$630.0t	-25
Palm Oil (Malaysian)§	$385.0q	
Copra (Philippines)§	$415.0y	-15
Soyabeans (US)	£157.0q	+1.8
Cotton "A" index	56.30c	+0.1
Wooltops (64s Super)	460p	+14

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Mar. t-Jun/Jly. v-Jan/Mar. w-Mar/Apr. y-Feb/Mar. z-Feb. w-Apr. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♦Sheep prices are now live weight prices.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low	
May	185.00	178.20	184.00	178.20
Aug	183.00	183.00	187.40	184.40
Oct	189.00		185.80	185.60
Mar	191.00		186.60	186.60
White	**Close**	**Previous**	**High/Low**	
May	263.7	259.9	263.0	260.3
Aug	267.5	263.9	267.0	264.3
Oct	260.5	257.4	259.5	257.6
Dec	263.0	261.0		

Turnover: Raw 1576 (162) lots of 50 tonnes. White 731 (462). Paris- White (FFr per tonne): May 1486.41 Aug 1525.43

CRUDE OIL – IPE $/barrel

	Close	Previous	High/Low	
Apr	17.43	17.22	17.49	17.18
May	17.49	17.20	17.55	17.25
Jun	17.57	17.22	17.57	17.28
Jul	17.57	17.22	17.57	17.35
Aug	17.61	17.30	17.61	17.35
Sep	17.65	17.26	17.65	17.41
Oct	17.63		17.50	17.48
Dec	17.63			
IPE Index	17.40	17.56		

Turnover: 21968 (12338)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low	
Mar	157.00	158.75	157.50	156.50
Apr	157.00	155.25	157.50	156.25
May	157.75	156.50	158.00	156.75
Jun	159.50	160.00	159.50	[illegible]
Jul	162.00	162.50	162.00	160.25
Aug	163.75	164.50	163.75	162.50
Sep	166.00	166.25	165.75	164.50
Oct	168.25	168.75	168.25	167.50
Nov	169.75	170.50	169.75	169.00

Turnover 24289 (6115) lots of 100 tonnes

COCOA – London FOX £/tonne

	Close	Previous	High/Low	
Mar	670	660	670	659
May	697	683	699	681
Jul	725	720	726	720
Sep	749	745	750	744
Dec	783	779	783	780
Mar	813	810	814	811
May	831		832	
Jul	900		900	898

Turnover: 2276 (3611) lots of 10 tonnes. ICCO indicator prices (SDRs per tonne). Daily price for Mar.2 857.53 (856.55) 10 day average for Mar.3 861.24 (860.50)

COFFEE – London FOX $/tonne

	Close	Previous	High/Low	
Mar	798	802	805	795
May	823	823	826	816
Jul	846	846	850	839
Sep	869	870	874	864
Nov	894	892	[illegible]	[illegible]

Turnover: 2210 (3492) lots of 5 tonnes. ICO indicator prices (US cents per pound) for Mar.2: Comp. daily 55.16 (54.39) 15 day average 55.37 (55.44). Sterling close: March £463

POTATOES – London FOX £/tonne

	Close	Previous	High/Low	
Mar	130.0		106.0	
Apr	124.0	123.5	124.0	123.0
May	148.0	146.5	148.0	147.0
Apr	132.4	130.0	132.2	130.0

Turnover 242 (347) lots of 20 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low
Apr	128.00	128.00	128.00

Turnover 20 (78) lots of 20 tonnes.

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low	
Mar	1292	1255	1295	1270
Apr	1346	1309	1347	1315
May	1338	1305	1347	1314
Jul	1180	1139	1180	1140
Oct	1280		1280	
Jan	1318	1285	1310	
BFI	1227	1223		

Turnover 326 (225)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low	
Mar	124.60	125.20	125.20	124.75
May	128.10	128.70	128.45	128.00
Jun	128.70			
Sep	112.00		112.00	112.00
Nov	113.40		115.40	115.25
Jan	115.10		119.10	
Barley	**Close**	**Previous**	**High/Low**	
Mar	115.60	115.75		

Turnover: Wheat 227 (25), Barley 0 (3). Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low	
Mar	121.0		120.0	119.5
Apr	119.0	118.8	118.5	
May	117.5		117.0	116.8
Jun	115.5	115.5	115.0	

Turnover 48 (16) lots of 3,250 kg

JUTE
C and F Dundee, BTC US$395, BTD US$370. C and F Antwerp BTC US$375, BWC US$375, BTD US$350, BWD US$350.

COTTON
LIVERPOOL- Spot and shipment sales for the week ending 28 February amounted to 145 tonnes against 149 tonnes in the previous week. Slow tradings persisted with dealings in Syrian, Russian and West African qualities.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover 30,371 lots	
Cash	1283.5-4.5	1273-74		1276.5-80		
3 months	1309-10	1299-300	1318/1294	1305.5-6.0	1315-16	150,488 lots
Copper, Grade A (£ per tonne)					Total daily turnover 42,578 lots	
Cash	1283.5-5.0	1287-88	1290/1285	1289-90		
3 months	1305-06	1308.5-9.0	1309.5/1306	1308.5-7.0	1309.5-10.5	121,576 lots
Lead (£ per tonne)					Total daily turnover 6,588 lots	
Cash	302-03	293.5-4.5		301-1.5		
3 months	313.5-4.0	305-5.50	317/305	313-3.25	314.5-15	14,532 lots
Nickel ($ per tonne)					Total daily turnover 6,469 lots	
Cash	7460-70	7575-85		7495-500		
3 months	7545-50	7655-60	7655/7540	7580-85	7555-60	23,619 lots
Tin ($ per tonne)					Total daily turnover 1,743 lots	
Cash	5560-70	5567-60	5575	5570-75		
3 months	5600-10	5630-35	5615/5570	5605-10	5615-20	5,744 lots
Zinc, Special High Grade ($ per tonne)					Total daily turnover 14,780 lots	
Cash	1187-88	1165-67	1178/1173	1176-77		
3 months	1199-200	1195-97	1205/1182	1187-88	1200-01	45,792 lots

LME Closing £/$ rate: SPOT: 1.7402 3 months: 1.7149 6 months: 1.6898 9 months: 1.6708

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold (fine oz)	$ price	£ equivalent
Close	351.50-352.00	
Opening	351.40-351.80	
Morning fix	351.00	201.650
Afternoon fix	351.35	201.809
Day's High	351.70-352.00	
Day's low	350.85-351.15	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	3.55	6 months	3.54
2 months	3.65	12 months	3.57
3 months	3.55		

Silver fix	p/fine oz	US cts equiv
Spot	236.75	412.10
3 months	242.70	416.25
6 months	248.60	421.80
12 months	260.15	431.10

GOLD COINS (Prices supplied by Engelhard Metals)

	$ price	£ equivalent
Krugerrand	351.25-352.25	201.75-202.25
Maple leaf	362.00-363.00	208.00-208.50
New Sovereign	80.00-87.00	46.50-50.00

TRADED OPTIONS

Coffee	May	Jul	May	Jul
750	76	106	3	10
800	35	[illegible]	12	[illegible]
850	13	42	42	48
Cocoa	**May**	**Jul**	**May**	**Jul**
675	36	65	14	15
700	22	49	25	24
725	14	36	42	36
Brent Crude	**Apr**	**May**	**Apr**	**May**
1750	14	41	33	55
1800	1	77	[illegible]	[illegible]
1850	[illegible]	[illegible]	[illegible]	[illegible]

New York

GOLD 100 troy oz.; $/troy oz.; SILVER 5,000 troy oz; cents/troy oz.; PLATINUM 50 troy oz; $/troy oz.; HIGH GRADE COPPER 25,000 lbs; cents/lbs; SUGAR WORLD "11" 112,000 lbs; cents/lbs; CRUDE OIL (Light) 42,000 US galls $/barrel; HEATING OIL 42,000 US galls, cents/US galls; COCOA 10 tonnes; $/tonnes; COFFEE "C" 37,500lbs; cents/lbs; COTTON 50,000; cents/lbs; ORANGE JUICE 15,000 lbs; cents/lbs: [illegible]

CRUDE OIL (Light) 42,000 US galls $/barrel

	Close	Previous	High/Low	
Apr	18.64	18.34	18.70	18.27
May	18.78	18.52	18.84	18.45
Jun	18.88	18.65	18.90	18.67
Jul	18.95	18.74	18.96	18.65
Aug	19.00	18.80	19.00	18.73
Sep–Jan	[illegible]	[illegible]	[illegible]	[illegible]

INDICES

REUTERS (Base: September 18 1931 = 100)

Mar.3	Mar.2	mnth ago	yr ago
1618.4	1613.4	1598.0	1689.2

DOW JONES (Base: Dec. 31 1974 = 100)

	Mar.2	Feb.28	mnth ago	yr ago
Spot	118.59	118.46	117.36	125.88
Futures	122.24	122.71	122.73	130.53

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Mar	581/2	583/4	585/4	580/4
May	589/4	592/0	594/0	589/0
Jul–Nov	[illegible]	[illegible]	[illegible]	[illegible]

SOYABEAN OIL 60,000 lbs; cents/lb; SOYABEAN MEAL 100 tons; $/ton; MAIZE 5,000 bu min; cents/56lb bushel; WHEAT 5,000 bu min; cents/60lb-bushel; LIVE CATTLE 40,000 lbs; cents/lbs; LIVE HOGS 40,000 lb; cents/lbs; PORK BELLIES 40,000 lbs; cents/lb: [illegible]

LONDON STOCK EXCHANGE

Equity sector recovers its confidence

By Terry Byland, UK Stock Market Editor

THE FLOW of trading results from leading British companies continued to provide the highlights in the UK stock market yesterday. The mood in the equity market became more confident, although by no means enthusiastic, ahead of next week's budget speech from Mr Norman Lamont, the chancellor of the exchequer.

The unexpected fund-raising moves on Monday brought some excitement and traders scrutinised the market for other likely candidates for rights issue plans. But although trading volume was boosted by activity in a handful of heavyweight stocks, there was little improvement in business across the broad range of equities.

The revived focus on corporate activity was fuelled by market hints of an impending bid for a blue chip stock.

Account Dealing Dates		
*First Dealings:		
Feb 24	Mar 9	Mar 23
Option Declarations:		
Mar 5	Mar 19	Apr 2
Last Dealings:		
Mar 6	Mar 20	Apr 3
Account Day:		
Mar 16	Mar 30	Apr 13

*New-time dealings may take place from 8.30 am two business days earlier.

On the results front, the market accepted an increased loss from General Accident without much surprise, and was encouraged when Abbey National, the mortgage and banking group, referred to signs that the worst of the recession seemed to have passed.

London was also helped in late dealings by improvement in the US leading economic indicators, and by suggestions from Mr Alan Greenspan, chief of the Federal Reserve, of some signs of economic recovery in the US. However, with the Dow Industrial Average up by only 9 points in UK hours, London closed below the day's best.

The final reading showed the FT-SE Index at 2,565.4 for a net gain of 11.1 points. In early trading, the Index dipped to 2,550, the lower end of the current trading range, but bounced when the stock index futures market opened firmly.

At mid-session, the Footsie was 15.4 points ahead with several of the leading components driven higher by shortage of stock. Wellcome, however, continued to fall sharply as the market braced itself for further details of the Wellcome Foundation's plan to reduce its stake from 73.6 per cent to between 25 per cent and 50 per cent. Turnover was modest, however.

Abbey National's results stimulated activity among banking stocks. One investment fund upset the market with a clumsy attempt to put funds into the sector, and was obliged to abandon its foray.

Overnight business from the US overflowed into London, driving Reuters ahead again and also helping ICI, BP and Shell. But Cadbury Schweppes, often a US-driven stock, gave ground on fears of a rights issue.

Seaq volume increased to 523.2m shares from the 438.6m of the previous session, but dealers expressed surprise; "I don't know where yesterday's business came from," said one. Retail, or customer, business on Monday was worth £881.6m, a somewhat neutral figure in terms of market profitability. Equity market volumes remain uncomfortably low from the point of view of the London-based securities houses.

Caution ahead of the UK budget, and the general election expected soon after, was underlined by market strategists. Kleinwort Benson Securities sees the Footsie remaining in its 2,500-2,600 range during March, although it believes this may be the last opportunity to buy below 2,600. Nomura Research Institute expects a switch out of the US and into the UK and Japan, but adds that "no action is yet required."

FINANCIAL TIMES STOCK INDICES

	Mar 3	Mar 2	Feb 28	Feb 27	Feb 26	Year Ago	1991/92 High	1991/92 Low	Since Compilation High	Since Compilation Low
Government Secs	88.15	88.28	88.35	88.55	88.49	84.74	88.55 (27/2/92)	82.17 (2/1/91)	127.40 (9/1/35)	49.18 (3/1/75)
Fixed Interest	101.22	101.33	101.38	101.49	101.45	93.21	101.56 (19/2/92)	90.59 (2/1/91)	105.40 (28/11/47)	50.53 (3/1/75)
Ordinary Share●	1987.0	1981.2	1983.0	1986.7	2002.9	1946.0	2108.3 (2/9/91)	1606.3 (16/1/91)	2108.3 (2/9/91)	49.4 (26/6/40)
Gold Mines	130.1	128.9	130.2	127.2	128.7	142.5	222.8 (11/7/91)	127.0 (22/2/91)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2565.4	2554.3	2562.1	2562.0	2565.0	2420.1	2679.6 (2/9/91)	2054.8 (16/1/91)	2679.6 (2/9/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1198.84	1192.13	1195.15	1193.41	1194.70	1106.10	1198.84 (3/3/92)	938.62 (16/1/91)	1198.24 (3/3/92)	938.62 (16/1/91)
●Ord. Div. Yield	4.47	4.50	4.50	4.50	4.61	4.95				
●Earning Yld %(full)	6.49	6.52	6.53	6.53	6.66	9.58				
●P/E Ratio(Net)(☆)	19.38	19.28	19.26	19.24	18.77	12.83				
SEAQ Bargns 5.00pm	34,513	32,609	32,419	33,359	26,639	38,710				
Equity Turnover(£m)†	-	881.6	962.8	1183.2	972.0	1290.69				
Equity Bargains†	-	36,904	36,338	37,900	32,753	33,248				
Shares Traded (ml)†	-	387.6	432.3	515.6	457.9	558.7				

Basis 100 Govt. Secs 15/10/26. Fixed Int. 1928. Ordinary 1/7/35. Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. ☆ Nil 18.42

Ordinary Share Index, Hourly changes Day's High 1992.2 Day's Low 1977.0

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1980.5	1978.2	1984.9	1985.2	1989.2	1990.1	1991.1	1986.4	1985.9

FT-SE 100, Hourly changes Day's High 2569.7 Day's Low 2550.3

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2566.1	2552.0	2558.6	2559.8	2564.9	2566.7	2567.5	2562.5	2564.5

FT-SE Eurotrack 200, Hourly changes Day's High 1201.12 Day's Low 1196.33

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1197.12	1196.84	1197.99	1199.91	1199.94	1200.28	1198.99

GILT EDGED ACTIVITY

Indices*	Mar 2	Feb 28
Gilt Edged Bargains	106.7	144.8
5-Day average	140.2	149.6

*SE Activity 1974.
†Excluding intra-market business and Overseas turnover.

London report and latest Share index: Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p/minute at all other times.

Insurer's payment pleases

Third best performance among the Footsie stocks came from General Accident, the composite insurance group, after the board maintained the final dividend in the face of a steep increase in losses over the year.

Insurance specialists said fears that General Accident's dividend might have been threatened were strengthened after Royal Insurance passed its payment.

Although the loss for the year was in the middle of the market range of forecasts, it included a significant transfer to reserves.

Stock market analysts were favourably impressed at the post-results meeting with the company, Mr Youssef Ziai at UBS Phillips & Drew describing the shares as "good value on such a small premium to asset value."

The shares raced up 18 to 455p on heavy turnover of 4.7m, with income funds keen buyers. There was hefty switching out of General Accident and into Willis Corroon, the insurance broker. Willis jumped 12 to 257p on good turnover of 2.2m. General Accident's confidence in maintaining the dividend gave a boost to Sun Alliance – due to report on April 1 – which put on 7 to 270p.

Abbey switch

An initially favourable reception for Abbey National's preliminary figures gave way to straightforward selling of the stock as well as switching into other banking issues.

The immediate reaction was to hoist the shares to 307p. Thereafter they came under persistent pressure, closing a net 11 lower at 292p as analysts reassessed the outlook following the post-results meeting with the company. Turnover reached a hefty 9.2m shares.

Mr Chris Wheeler at Shearson Lehman described the figures as "fine," but said the market was now focusing on the recovery plays in the sector rather than on defensive merits. He said the downside in the shares was limited but then "so is the upside."

Mr John Wrigglesworth at UBS Phillips & Drew turned seller for the first time since Abbey was privatised. "We recommend a switch into Lloyds which we expect to double profits in two years," he said. Lloyds rose 6 to 426p, while Barclays moved up 9 to 371p.

Fisons upset

Healthcare group Fisons dropped back after announcing results largely in line with City expectations, but containing a number of unwelcome elements. Most concerns concentrated on company comments at the post-results analysts meeting over Inferon, the group's anaemia drug, which has yet to be cleared by the US authorities. Chairman Mr Patrick Egan hinted that if the drug failed to meet US standards, it could be withdrawn. Together with the Opticrom hay fever treatment, also sidelined in the US, analysts complained that it was difficult to make recommendations on the stock.

Other anxieties included continuing debate over the vacant chief executive's post, and some analysts raising questions over Fisons strategy. Profit forecasts for 1992 were largely unchanged in the £220m-230m range. The shares, down 21 at one stage, rallied to close at 384p, for a net loss of 9 on the day. Volume was a hectic 6.4m.

Ladbroke easier

Uncertainty ahead of trading figures tommorrow from Ladbroke Group saw the shares slip 6¼ to 225½p in busy turnover of 3.9m. Barclays de Zoete Wedd downgraded the leisure group, mainly on continuing worries over Ladbroke's exposure to depressed property markets, both in the UK and the US.

Analyst Mr Peter Hilliar said: "Ladbroke's property portfolio is concentrated in the central London and north-east US seaboard office markets, which have been particularly hard hit in the downturn." BZW has lopped £92m off the property division's asset value and is consequently forecasting pre-tax profits of £192.5m against £210m previously. These will still be satisfactory, says BZW, but the house is moving to a short-term sell.

Smith New Court, which also reviewed the stock yesterday, remains more bullish, with Mr Peter Joseph, part of the leisure team, optimistic on hotel disposals bolstering the balance sheet. Smith's forecast remains at £210m.

Recurring talk of a price war in the DIY market – Ladbroke owns the Texas Homecare chain – also added to the negative sentiment.

The regional electricity companies were strongly supported and made good progress after BZW highlighted the attractions of the sector which it said now largely discounts the possibility of a Labour victory in the forthcoming general election. UBS Phillips & Drew was also said to have been a keen supporter of the sector.

BZW also favoured the Scottish electricity companies, as did Smith New Court, where the electricity analyst described the two issues as the premier stocks in the sector.

Mr Alistair Buchanan at Smith said the two stocks offer fundamental value and told clients to buy the shares up to 120p.

The Electricity Package jumped 55 to £2925, while Scottish Hydro edged ahead to 105½p. Scottish Power held steady at 103p.

Speculation about a possible rights issue hit Cadbury Schweppes ahead of today's results. The market is looking for 1991 profits of about £310m compared with £279.6m the previous year. Fears of a cash call pushed the shares down 9 to 463p, but Mr Carl Short, at Nomura Research, said the company has spent some time restructuring its debt and there appears to be no need for a rights issue unless a large acquisition is contemplated. He added that the shares have been strong recently and this may have tempted investors to take profits.

Although there were few surprises at Granada Group AGM yesterday, the shares rose as the market took heart from the positive tone from the management over prospects for BSkyB. Policies on cost-cutting, quality and strategy were also reaffirmed, the shares adding 9 to 250p in good volume of 4.4m.

Switching operations saw Wembley partly-paid the third biggest turnover stock of the day with 9.4m shares recorded. The shares were firm at 3p, the fully-paid edging a half-penny to 33p.

Pharmaceutical group Glaxo Holdings gained 13 to 798p as US buyers moved into the market. Wellcome continued to tumble as buyers stayed away on the implications of Monday's share sale announcement by the Wellcome Trust. The shares lost 41 to 1,025p.

Fears of a price war among the large do-it-yourself chains continued to cast a cloud over the store sector. Kingfisher, owner of B&Q, fell 4 to 541p and the "A" shares in W.H. Smith, with its interest in Do-It-All, lost 3 to 463p. Meanwhile W.H. Smith increased its presence in the US through the purchase of 59 recorded music stores for an undisclosed sum.

The expected flotation of Hillsdown Holdings' housebuilding subsidiary, Fairview New Homes, encouraged a further recovery of 8 to 162p, on turnover of 3.9m shares. Food groups, spotlighted on Monday, as potential bid targets gave up some of their gains. Spanish supermarket operator, Ashley Group, declined 3 to 47p, while food manufacturer Dalepak fell 15 to 418p. The large UK food retailers gained ground as safe havens ahead of the general election. Argyll put on 2½ to 336½p and J. Sainsbury improved 7 to 394p.

News of a £500m missile order for British Aerospace helped the shares initially but they drifted back to end only 2 up at 327p after analysts said the order had been expected.

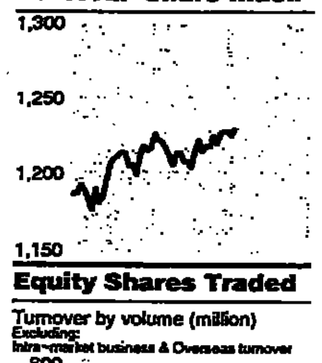
Shares in Serco Group jumped 9 to 624p after the company reported a 21 per cent rise in full year profits to £5.2m, and increased the dividend from 10.6p to 11.9p.

Siebe retreated initially on accountancy practice worries but calls to analysts to reassure the market saw the shares bounce to end only 2 down at 577p.

MARKET REPORTERS:
Colin Millham, Joel Kibazo, Christopher Price, Steve Thompson

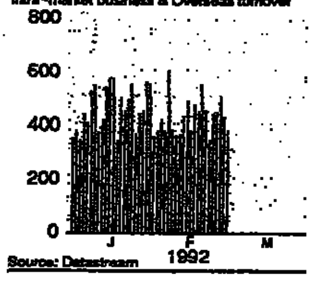
■ Other market statistics, including the FT-Actuaries Share Indices and London Traded Options, Page 18.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding: Intra-market business & Overseas turnover



Source: Datastream

NEW HIGHS AND LOWS FOR 1991/92

NEW HIGHS (71). BRITISH FUNDS (3) [illegible] AMERICANS (2) [illegible] BANKS (4) [illegible] BUILDING MATERIALS (2) [illegible] BUSINESS SERVICES (3) [illegible] Robinson, Inchcape, Serco, CHEMICALS (4) Allied Colloids, BOC, Engelhard, Schering, CONTRACTING & CONSTRUCTION (1) Gleeson (MJ), ELECTRICALS (2) China Light, Volex, ELECTRICITY (1) Yorkshire Elect., ELECTRONICS (5) Farnell, MTL Instruments, Misys, Siemens, Tunstall, ENGINEERING GENERAL (1) Atlas Copco B, FOOD MANUFACTURING (2) Dalepak, Nichols (Vimto), HEALTH & HOUSEHOLD (1) Mayborn, HOTELS & LEISURE (2) Granada, Do. 7.5p Pf., INVESTMENT TRUSTS (14) Gen. Cons. Stppd. Pf., Genesis Chile Fd. Warrants, Genesis Emrg. Mkts., Independent Inv., India Fd., Leveraged Opportunity, Mexico Fund, Murray Enterprise Zero Ln. 1894, River & Merc. Stepped Pf., St. Davids Zero Div. Pf., Scot. Asian Pfg., Sth. America Fd., Do. Warrants, Spanish Smaller Co's., MEDIA (4) Daily Mail A, HTV, Portsmouth & Sunderland, Reuters, METAL & METAL FORMING (1) Bilsam (J), MOTORS (3) BSG, Cowie (T), Lookers, OIL & GAS (1) NZ Oil & Gas, OTHER FINANCIAL (2) Lon. Forfaiting, M & G, Swire Pacific A, OTHER INDUSTRIAL MATERIALS (1) Vinten, PACKAGING, PAPER & PRINTING (3) Bowater, Do. 7¾pc Pf., Brit. Polythene, PROPERTY (1) Slough Ests. 8pc Bd. 2003, STORES (3) GUS A, Hampden Homecare, [illegible], TEXTILES (2) Haggas (J), Leeds, TRANSPORT (1) BAA, MINES (1) Caledonia Mining.

NEW LOWS (40). AMERICANS (1) Pennzoil, BREWERS & DISTILLERS (1) Hoskins Brew., BUSINESS SERVICES (2) Gordiner, REA, CONGLOMERATES (1) Glaves, CONTRACTING & CONSTRUCTION (1) Havelock Europa, ELECTRICALS (1) Fujitsu, ELECTRONICS (2) Kewill Systems, P-E, ENGINEERING AEROSPACE (1) UMECO, ENGINEERING GENERAL (3) Hadleigh Inds., Starling Inds., Sykes-Pickavant, HOTELS & LEISURE (2) Kunick 8¼p Pf., Savoy A, INSURANCE LIFE (1) Utd. Friendly B, INVESTMENT TRUSTS (3) M & G Dual Inc., Paramba, River Plate Warrants, MEDIA (3) Holmes & Marchant, Shandwick, TVS Ents., MISCELLANEOUS (1) Excalibur, OTHER FINANCIAL (1) Bridgend, OTHER INDUSTRIAL MATERIALS (1) Ferromet, PROPERTY (8) Allied London, Anglo St. James, Brit. Land, Clayform Prop. Warrants, Fletcher King, High-Point, MEPC, Ossory Ests., STORES (1) Mallett, TELEPHONE NETWORKS (1) GN Great Nordic, TEXTILES (2) Richards, West Tst., TRANSPORT (1) All Nippon Airways, MINES (2) Beatrix, Cluff Res.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	38	467	-3	Cookson	2,100	115		Lucas	6,100	114	-3	Shell Transport	5,600	461	+5
ASDA Group	3,900	38½	-½	Courtaulds	740	535	-5	MB Caradon	978	274	+1	Siebe	1,006	577	-2
Abbey National	9,200	292	-11	Dalgety	381	395		MEPC	903	338		Slough Ests	384	223	-3
Albert Fisher	897	62	-1	De La Rue	444	589	-8	Manweb	524	341	+6	Smith (W.H.) A	1,000	463	-3
Allied-Lyons	2,800	645	+3	Dixons	1,600	242	+5	Marks & Spencer	2,300	321	+1	Smith & Nephew	1,300	150	
Amstrad	979	30		ECC Group	1,200	506	-3	Midland Bank	5,600	274	-4	SmKl Beecham	625	926	+3
Anglian Water	155	368	+5	Eastern Elect.	706	256	+3	Midlands Elect.	251	286	+3	SmKl Beecham Uts	73	4253	+10
Argos	321	285		East Midland Elect.	480	274	+4	NFC	549	241	+1	Smiths Inds	637	277	+1
Argyll Group	2,300	336½	+2½	Enterprise Oil	443	399	+3	NatWest Bank	7,800	319	+4	Southern Elect.	651	284	+6
Arjo Wiggins	1,100	249	+6	Eurotunnel Units	267	451	-3	National Power	4,300	230	+4	South Wales Elect.	256	328	+2
Ass. Brit. Foods	495	435	+5	FKI	1,800	59½	-½	Next	388	67	-½	South West Water	2,100	372	+5
[illegible]				[illegible]				[illegible]				[illegible]			

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system on Tuesday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

TRADING in stock index futures was volatile with few features on which to focus in thin trading, writes Joel Kibazo.

The day's business in March started at 2,569, but the contract then immediately ran into sellers. A leading securities house which sold 150 contracts sent March trading down to 2,563 by 9am as traders digested the overnight falls in Tokyo.

March gently crawled back to reach the day's high point of 2,583 by mid-session. A further bout of selling was curtailed by Wall Street's firm opening, though weakness before the close was noted.

March finished at 2,574, at a premium of only 9 to the underlying cash market and some 3 points above its estimated fair value premium to cash of about 6. Turnover of just over 4,000 contracts was again judged poor.

In traded options, weak turnover of 24,774, saw Asda accounting for a large part of the day's volume. Turnover reached 7,223 lots, the October 40 puts the busiest series, after James Capel carried out a large trade in which it crossed 5,000 contracts at 6p. This was followed by Abbey National, which released results yesterday, trading 1,570 contracts, the March 280 calls busy.

LONDON SHARE SERVICE

BRITISH FUNDS

Notes	Price £	+or-	1991/92 high	1991/92 low	Yield Int.	Yield Red.
[illegible]						

BRITISH FUNDS - Cont.

Notes	Price £	+or-	1991/92 high	1991/92 low	Yield Int.	Yield Red.
[illegible]						

BRITISH FUNDS - Cont.

Notes	Price £	+or-	1991/92 high	1991/92 low	Yield (1)	Yield (2)
[illegible]						

OTHER FIXED INTEREST

Notes	Price £	+or-	1991/92 high	1991/92 low	Yield Int.	Yield Red.
[illegible]						

APPOINTMENTS

Manning moves up to Mothercare

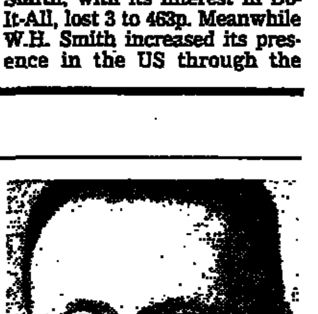
Patricia Manning, an American marketing expert who recently helped resuscitate the Ladybird brand for Woolworths, has been hired by Mothercare as its new marketing director. This makes Manning the only woman currently on the board of the mother and babycare chain. Richard Glandville, Mothercare's commercial director, had previously covered marketing in addition to other responsibilities.

Mothercare, part of the Storehouse group, had lost its way, she contends. "Two years ago I could not have put together an effective marketing campaign, but a lot has been done since then, in terms of logistics and so on. I am now in the envious position of being able to release that."

Manning, who is 46, spent 13 years with Levi Strauss before setting up her own design and sourcing agency in the mid-1980s, a venture she subsequently wound up. "I realised I was too much a corporate person," she admits.

At that point, in 1989, she joined Woolworths as business director for childrenswear. "In Ladybird they had a wonderful brand with high recognition that had been dormant for years." One of her successes was to double the market share of the 0-2 years range from 5 to 10 per cent in two years. Overall, she moved Ladybird from fifth to third in terms of childrenswear market share, behind M & S and Mothercare.

In the past year she has had various consultancies, including with Mothercare, out of which the new job arose. "The trick is to project Mothercare as more fun on the fashion side while retaining the responsible, caring image."



Mars, which seems to churn out marketing experts as quickly as its ubiquitous chocolate bars, has produced another high-profile executive to fill the post of marketing director at Asda, the Pudsey-based grocery chain.

He is Allan Leighton, 38, formerly marketing and sales director of Pedigree Petfoods, the Mars' subsidiary. His previous jobs include marketing controller of Mars Confectionery and general manager of its operations in Portugal.

Asda has also appointed Gordon McBeath, the former director of management development at BAT, as personnel director. He will succeed Jonathan Fox who left last month.

The two additions to the Asda management board reflect the attempts of Archie Norman, chief executive, to forge a new team to resuscitate the struggling food retailer. He has already appointed a finance director - Phil Cox, the former chief executive of Burns Anderson.

■ **Colin Drummond** is moving to SOUTH WEST WATER from Coats Viyella Yarns Division, and not from Courtaulds Yarns as reported earlier.

■ **Richard Green** has been appointed financial director of VINTEN Group; he moves from Morgan Crucible.

■ **Brian Morris**, chief executive of MAGNETIC MATERIALS GROUP, also assumes the role of chairman. His predecessor, George Doust, is stepping down to become a non-executive director and will retire at the end of June.

■ **Wayne Pearce** has been promoted to regional director, UK and Ireland, for QANTAS.

■ **Gregg Butler**, group director of BNFL's UK Group, and Ken Jackson, group director, international, are appointed directors of BRITISH NUCLEAR FUELS.

Fuelling the flames

As part of the fall-out created by the departure of Malcolm Edwards, who last week resigned as British Coal's commercial director, a long-standing colleague, Michael Butler, steps into his shoes as the new chairman of British Fuels (BFL).

British Coal owns 50 per cent of BFL, the UK's leading coal and oil distributor, and appoints two of the six directors. Butler, who is finance director of British Coal, had, with Edwards, been instrumental in the buyout of BFL in 1988 and had been on the board since. Martin Garrett, British Coal treasurer, joins the BFL board as the second British Coal appointee.

David Port, chief executive of BFL, which preserves an arm's length relationship with its largest shareholder, says that Malcolm Edwards had made "a tremendous contribution in terms of his personal enthusiasm and drive, and the atmosphere he helped to create". His replacement, a chartered accountant by training, is "the archetypal finance director, who will bring control and a more structured management style", according to Port.

An outspoken and highly experienced defender of the industry, Edwards, 57, had clashed repeatedly with British Coal chairman Neil Clarke. Both Edwards and Butler are veterans of British Coal, with 65 years' service between them.

LONDON SHARE SERVICE

AMERICANS

[illegible]

CANADIANS

[illegible]

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUILDING MATERIALS - Cont.

[illegible]

BUSINESS SERVICES

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

CONTRACTING & CONSTRUCTION - Cont.

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING AEROSPACE

[illegible]

ENGINEERING GENERAL

[illegible]

ENGINEERING - GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HEALTH & HOUSEHOLD - Cont.

[illegible]

HOTELS & LEISURE

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INVESTMENT TRUSTS - Cont.

MERCHANT BANKS - Cont.

METALS & METAL FORMING

MISCELLANEOUS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIAL MATERIALS

MOTORS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

MEDIA

MERCHANT BANKS

OIL & GAS

GUIDE TO LONDON SHARE SERVICE

payment

‡ Indicated dividend yield, p/e ratio based on latest annual earnings.

a Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings.

prospectus or other official estimates for 1992-93

L Estimated annualised yield, p/e based on latest annual earnings.

M Yield based on prospectus or other

Z Dividend yield to date.

Abbreviations:
xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion.

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

AUTHORISED UNIT TRUSTS

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Abbey Unit Tst Mngrs (1000)H						
80 Holdenhurst Rd Bournemouth 0345 717373						
Britannia Life Unit Managers Ltd (1200)F						
190 West George St, Glasgow G2 2PA 041-332 3132						
Balanced Growth	6	78.99	80.31	85.79	+0.15	3.00
Confederation Funds Mngt Ltd (1200)F						
Gartmore Fund Managers (1200)F						
Gartmore House, 16-18 Monument Street, London EC3R 8AJ 071-782 2000						
INVESCO MIM UT Mngrs Ltd -Contd.						
Manulife Management Ltd (1200)F						
N&P Unit Trust Management Ltd (1200)F						
SIL Investment Management Ltd (0830)F						
Brown Shipley & Co Ltd (1000)F						
Consistent Unit Tst Mngt Co Ltd (1200)F						
Co-op Pension Fds UT Mgrs Ltd (1000)F						
Cornhill Unit Trust Mngrs Ltd (1000)F						
Marks & Spencer Unit Trust Ltd (1200)F						
Marlborough Fund Managers Ltd (1630)F						
National Provident Inv Mgrs Ltd (1400)H						
St James's Place UT Group Ltd (1200)F						
Pension Ex	2	699.98	712.7	730.6	+1.8	5.4
Recovery	5	26.54	26.90	28.70	.....	4.89
(Accum Units)	5	40.51	41.20	43.90	+0.1	4.89
Second General	5	46.56	46.60	49.30	+0.1	5.16
(Accum Units)	5	109.62	109.7	116.1	+0.4	5.16
Smaller Cos	5	48.50	50.40xd	53.30	.....	4.69
(Accum Units)	5	88.64	92.10	97.40	.....	4.69
Trustee	5	30.47	30.50	32.30	.....	5.21
(Accum Units)	5	109.03	109.1	115.4	+0.1	5.21
MGM Unit Managers Ltd (1000)F						
MGM House, Heene Rd, Worthing						
Dealing 0277 261010 Enq. 0903 204631						
High Income	5	227.8	230.3	245.0	+1.4	6.67
(Accum Units)	5	369.5	373.7	397.5	+2.3	6.67
UK Growth	5	285.5	288.2	306.5	+0.9	4.51
(Accum Units)	5	344.7	347.9	370.1	+1.2	4.51
Int Equity Gth	5	49.23	49.39	52.54	+0.1	0.98
Intl Bond	5	54.98	54.98	57.72	-0.02	7.87
Special Sits Grth	5	16.02	15.59xd	16.58	+0.10	4.33
North American Grth	5	73.17	73.48xd	78.17	+0.16	0.73
European Growth	6	51.99	52.24	55.57	+0.28	1.13
MW Investment Managers Ltd (0659)F						
4b Court St, Haddington, E. Lothian 062 082 5867						
MW Joint Investors	0	1100.4	1100.4	1127.21	...	4.29
Maldon Unit Trust Managers Ltd (1400)F						
c/o Baillie Gifford 1 Rutland Ct EH3 8EY 031 222 4242						
Maldon General	0	103.9	103.9xd	107.1	.....	5.43
Australian	5¼	205.00	205.00xd	219.90	+1.40	0.10
(Accum Units)	5¼	231.80	231.80	248.70	+1.50	0.10
Conscience	5¼	55.48	56.31	60.09	+0.90	1.80
(Accum Units)	5¼	58.87	59.76	63.77	+0.95	1.80
European	5¼	148.50	148.50	158.40	+0.60	0.98
(Accum Units)	5¼	157.80	157.80	168.30	+0.70	0.98
Extra Income	5¼	62.46	62.46xd	66.65	+0.18	6.79
(Accum Units)	5¼	89.37	89.37	95.37	+0.26	6.79
Far East Gth Acc	5¼	105.60	105.60	112.80	-0.10	0.00
Gilt & F I	5¼	52.85	52.85xd	55.94	-0.06	8.15
(Accum Units)	5¼	117.90	117.90	124.70	-0.20	8.15
Gold	5¼	28.45	28.45	30.99	-0.09	0.00
(Accum Units)	5¼	30.63	30.63	32.93	-0.11	0.00
Income	5¼	43.82	43.82	46.74	+0.22	5.82
(Accum Units)	5¼	125.60	125.60	133.90	+0.60	5.82
Intal	5¼	24.78	24.78	26.38	+0.06	1.13
(Accum Units)	5¼	35.36	35.36	37.93	+0.09	1.13
Jap Smaller Cos	5¼	283.00	283.00	301.80	-1.80	0.00
Sing & Malaysian	5¼	104.80	104.80	112.30	+0.80	0.00
(Accum Units)	5¼	109.00	109.00	116.80	+0.80	0.00
Smaller Co's	5¼	22.74	22.74	24.45	-0.01	3.07
(Accum Units)	5¼	25.81	25.81	27.75	-0.01	3.07
Special Sits	5¼	26.95	26.95	28.97	+0.04	2.97
(Accum Units)	5¼	30.26	30.26	32.53	+0.05	2.97
Tokyo	5¼	60.01	60.01xd	64.01	-0.67	0.00
(Accum Units)	5¼	60.61	60.61	64.65	-0.68	0.00
UK Equity	5¼	139.60	139.60	148.90	+1.60	3.99
(Accum Units)	5¼	252.70	252.70	269.50	+1.70	3.99
US Smaller Cos	5¼	72.71	72.71	77.76	+0.43	0.00

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 – 379 – 0444.

FT MANAGED FUNDS SERVICE

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	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Standard Life Tst Mgmt Ltd (0629)H						
3 George St, Edinburgh EH2 2XZ				0800 393777		
Managed Acc	5¼	36.68	36.68	38.98	-0.1	2.19
UK Equity Gth Acc	5¼	50.22	51.09	54.29	-0.3	1.97
UK Eq High Inc Inc	5¼	28.77	29.46	31.31	----	5.97
UK Eq High Inc Acc	5¼	32.34	33.12	35.20	----	5.97
UK Equity Gen Acc	5¼	46.30	47.06	50.01	-0.1	3.32
UK Equity Gen Inc	5¼	36.23	36.83	39.14	-0.1	3.32
UK Larger Cos Acc F	7½	309.2	319.2	339.9	-1.2	4.60
UK Larger Cos Inc F	7½	249.0	252.2	273.7	-1.0	4.60
Gilt & Fxd Int Inc	5¼	28.43	28.50	30.14	----	7.20
O'seas Larg Cos Acc F	7½	213.5	217.0	235.5	+0.4	2.00
Nth American Acc	5¼	36.95	37.10	39.42	+0.2	0.87
Far East Acc	5¼	39.63	40.64	43.18	-0.1	0.08
European Acc	5¼	35.70	37.07	39.39	----	1.53
Stewart Ivory Unit Tst Mgrs Ltd (1200)H						
45 Charlotte Sq, Edinburgh				031-226 3271		
American ♥	5	298.2	298.2	317.8	+1.2	0.71
(Accum Units) ♥	5	351.0	351.0	374.1	+1.5	0.71
British	5	786.7	800.8xd	851.5	+1.2	4.09
(Accum Units)	5	1319.3	1349.6	1428.0	+2.0	6.09
European	5	336.7	336.7	357.8	+0.8	-
(Accum Units)	5	365.0	365.0	387.9	+0.9	-
Japan	5	106.0	106.0	112.8	-1.0	-
(Accum Units)	5	106.8	106.8	113.7	-1.0	-
New Pacific	5	194.7	194.7	207.8	----	1.65
(Accum Units)	5	200.0	200.0	213.4	----	1.65
PEP Feb 28	5	150.3	151.7	160.5	----	3.50
Mngd Equity	5	126.5	128.0	135.4	----	2.78
Mngd Equity Acc	5	134.2	135.8	143.7	----	2.78
Mngd Cash	0	96.63	96.63	96.63	----	10.12
(Accum Units)	0	119.1	119.1	119.1	----	10.12
Majority Stlg	1	100.62	100.62	101.63	+0.02	9.88
Majority Stlg Acc	1	109.58	109.58	110.68	+0.05	9.88
Storebrand Intl Inv Mngrs Ltd (1200)F						
Admin: 5 Rayleigh Rd, Hutton, Brentwood, Essex						

	Bid Price	Offer Price	+ or -	Yield Gross
Local Authorities Mutual Invest. Tst.*				
2 Fore Street, London EC2Y 5AQ		071-588 1815		
Property Feb 29	196.75	200.75	----	7.98
Equity Feb 29	898.25	911.00	+15.80	3.76
* Available only to Local Authorities				
M & G Securities Ltd				
Charibond Mar 2	104.49		----	10.32
(Accum Units)	632.81		-0.2	10.32
NAACIF Feb 25	40.50xd		----	9.54
Morgan Grenfell Investment Funds Ltd				
Exempt Funds				
UK Equity † Mar 3	128.3	137.9	+0.8	1.97
UK Small Co † Mar 3	532.1	571.9	+2.2	3.50
Fixed Interest † Mar 3	111.7	117.5	-0.1	8.53
US Small Co Mar 3	183.2	196.0	-0.6	0.00
Managed Mar 3	109.3	117.1	+0.5	3.39
Intl Bond Mar 3	121.9	128.6	-0.1	9.97
Japan Mar 3	66.75	71.17	-0.75	4.13
European Mar 3	93.14	99.85	+0.38	1.70
Nth American Mar 3	125.3	135.2	+0.8	1.18
Murray Johnstone UT Mngmt				
Murray Exempt Funds				
Amer Expt Feb 26	55.01	57.21xd	----	1.99
Euro Expt Feb 26	53.70	56.38xd	----	2.44
Fixed Int Ex Feb 26	47.83	49.02	----	8.87
Japan Expt Feb 26	40.64	42.26	----	0.00
Managed Ex Feb 27	45.69	47.52	----	4.27
SE Asia Expt Feb 26	76.07	79.87	----	2.36
Sm Cos Expt Feb 26	36.25	38.07	----	3.58
UK Eqty Ex Feb 26	43.99	46.19xd	----	3.67
Phillips & Drew Fund Management Ltd				
Small Co's Feb 5	685.40	729.40xd	----	4.35

Allied Dunbar Assurance Plc—Contd.

Pension Funds

	Bid Price
F.I.Dep Cap	364.9
F.I.Dep Acc	687.8
Prop Cap	408.1
Prop Acc	1038.1
Man. Cap	807.8
Man Acc	1871.0
Gilt Edged Cap	375.2
Gilt Edg. Acc	637.9
Eq. Cap	1465.4
Eq. Acc	2313.1
Am Eq Cap	264.8
Am. Eq Acc	271.9
Far East Cap	206.8
Far East Acc	277.4
Euro Cap	31.6
Euro. Acc	37.8
B.S. Cap	427.2
B.S. Acc	782.3
D.A.F. Cap	328.7
D.A.F. Acc	536.3
Mortgage Cap	197.6
Mortgage Acc	262.6
Sterling Funds	
Pen Equ Cap	31.3
Pen Equ Acc	35.9
Pen Am Eq Cap	38.3
Pen Am Eq Acc	43.8
Pen Far East Cap	27.2
Pen Far East Acc	31.2
Pen Euro Cap	41.3
Pen Euro Acc	47.3
Janus Capel Funds	
Pen Equ Cap	27.8
Pen Equ Acc	31.8

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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Norwich Union Life Insurance Soc.–Contd.

Norwich Union Pensions Management Ltd

Pearl Assurance (Unit Funds) Ltd

Pegasus Assurance Ltd

Premium Life Assurance Co Ltd

Professional Life Assurance Co Ltd

Prolific Life & Pensions Ltd

Prosperity Life Assurance Ltd

Providence Capital Life Assc. Co Ltd

Provident Life Assoc Ltd

Provident Mutual Life Assc. Assn.

Provident Mutual Life Assc. Assn.–Contd.

Prudential Assurance Co

Prudential Corporate Pension Funds

Prudential Individual Life Funds

Prudential Individual Pension Funds

Reliance Mutual

J Rothschild Assurance PLC

Royal Heritage Life Assurance Ltd

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group

Scottish Amicable

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance plc

Scottish Provident Institution

Scottish Widows' Group

Shield Assurance Ltd

Skandia Life Assurance Co Ltd

Standard Life Assurance Company

Sun Alliance Group

Sun Life Unit Assurance Ltd

Swiss Pioneer Life Plc

TSB Life Ltd

Target Life Assurance Co Ltd

Teachers' Assurance Company Ltd

Templeton Life Assurance Limited

Tunbridge Wells Equitable

Wesleyan Assurance Society

Windsor Life Assur Co Ltd

Woolwich Life Assurance Co Ltd

Zurich Life Assurance Co Ltd

OFFSHORE INSURANCES

AEtna Intl Assurance (Bermuda) Ltd

Albany International Assurance Ltd

CMI Insurance Co Ltd

Eagle Star Intl Financial Services

Equitable Life (International)

Equity & Law Intl Life Assce Co Ltd

Isle of Man Assurance Ltd

Providence Capital International Ltd

Royal Life Intl. Ltd

Royal Skandia Life Assurance Ltd

Sun Alliance International Life

Target International Group

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Money Funds

Newport Investment Management

Orbex Fund Limited

CANADA (SIB RECOGNISED)

GBC Asset Management

GUERNSEY (SIB RECOGNISED)

AIB Grofund Inv Managers (Guernsey) Ltd

Adams & Neville Fund Mangt (Guernsey) Ltd

Baring Intl Fd Managers (Guernsey) Ltd

Equitable International Fund Managers Ltd

MANAGEMENT SERVICES

Bain Clarkson Asset Management

C F S Financial Mngmt

Capital Trust Financial Management

Chase de Vere PLC

ECU Futures Plc

Fairmount Financial Services Ltd

Hambros Fd Mgrs (CI) Ltd

Independent Financial Group PLC

Johnson Fry Asset Managers Plc

Knight Williams & Company Ltd

Lazard Fund Mngrs (Channel Islands) Ltd

NEL Britannia International Ltd

Northern Rings & Partners

PBR Fund Management Ltd

Pendleton Way Financial Services Ltd

Roxborough Financial Management Ltd

Sharp (Albert E) & Co.

Sittala Fund Managers Limited

South Yorks Financial Planning

Charles Stanley & Co Ltd

Tattersall Investment Mngt. Ltd

Towry Law & Co

J. D. Ward Financial Services Ltd

Rothschild Asset Management–Contd.

Royal Bank of Canada Funds

Schroder Investment Mangmt (Guernsey) Ltd

GUERNSEY (REGULATED)(**)

Arab Bank Fund Managers (Guernsey) Ltd

Barclays Global Investment Fund Ltd

Hambros Fund Managers (CI) Ltd

Henderson Admin. (Guernsey)

Kleinwort Benson Intl Fd Mngrs Ltd

Lazard Fund Mngrs (CI) Ltd

Nikko Capital Mngt (Europe) Ltd

Rothschild Asset Management (CI) Ltd

IRELAND (SIB RECOGNISED)

GAM Fund Management Ltd

Hafnia Prolific International Ltd

IRELAND (REGULATED)(**)

Bank of Ireland Unit Managers Ltd

Prolific International Funds Plc

ISLE OF MAN (SIB RECOGNISED)

Allied Dunbar Intl Fund Mgrs (I.O.M.)

Asset Global Funds Ltd

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ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

SWITZERLAND (SIB RECOGNISED)

[illegible]

OTHER OFFSHORE FUNDS

	Bid Price	Offer Price	+ or -	Yield Gross
Alliance Capital				
International	$25.02	25.89	-0.02	-
International Class B	$24.89	24.89	-0.02	-
Quasar	$25.01	26.35	+0.13	-
Quasar Class B	$22.74	22.74	+0.13	-
Global Small Cap	[illegible]	[illegible]	+0.04	-
Global Small Cap Class B	$11.08	11.08	+0.04	-
Canadian Fd	$5.38	5.69	-0.01	-
Global Asset Management – Contd.				
GAM Overseas	$107.19		...	-
GAM Pacific	$579.05			-
GAM Pacific Basin Fd	[illegible]		...	-
GAM Restructuring	[illegible]			-
GAM Selection	$495.80			-
GAM Singapore/Malaysia	$268.31			-
GAM SFr Special Bond	SFr107.78			-
GAM Tyche	$285.82			-
GAM U.S.	$220.78			-
GAM ct Investments	$466.02			-
GAM Value	99.56		+0.11	-
Orbis Investment Management Ltd				
Orbis Global Eqty	$13.27	13.94		-
Orbis Optimal Eqty	$17.05	17.92		-
Orbis Leveraged Eqty	$18.47	19.53		-
Orbitex Bahamas Ltd				
Orbitex Growth Fund	[illegible]	8.3164		-
ORIENT Growth Fd				
NAV		59.48		-

Alliance International Currency Reserves

US$ Reserves Fee 22-28 0.000075208 (2.75% pa)

* Prices on Feb 27 Next Pricing Mar 5 Weekly Pricing

[illegible]

MANAGED FUNDS NOTES

[illegible]

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar surges past Y130 mark

THE DOLLAR surged through the Y130 barrier yesterday after more good news on the US economy, beginning what some dealers see as a possible prolonged upwards push.

It closed at Y130.80, having touched Y130.99, after a climb to Y129.65/69 in New York, and Y130.45/55 in Tokyo.

It was less buoyant against the D-mark, but still finished 1⅛ pfennigs higher at DM1.6555.

The rise began after Monday's unexpected increase in the National Association of Purchasing Management index, continued overnight, and was sustained yesterday by more encouraging figures. January's leading indicators showed their biggest increase for six months - up by 0.9 per cent, compared with an expected 0.7 per cent - while new home sales were up 12.9 per cent to their highest level for two years.

Dr Mark Austin, economist at HongKong Bank said: "People are now starting to believe that things are on the turn, and it will probably take a lot to knock the dollar down.

"The market seems prepared to ignore any negative indicators and act strongly on positive ones."

Dollar optimism was dented slightly, however, by a statement by Mr Alan Greenspan, the Federal Reserve chairman, that signs of recovery were "quite tentative" and that he did not rule out adjusting money growth if they began to falter. The market is also waiting for Friday's payroll figures with some anxiety, although it is increasingly felt that these may also be encouraging.

The dollar is now expected to challenge the DM1.6640 level, where it has previously met resistance, and head towards Y132.

It may meet resistance at that level, but the Bank of Japan appeared not to have intervened at Y130 yesterday, possibly because it expected heavy sell-orders at Y130, which failed to materialise. Some dealers also believe the BoJ was badly stung the last time it intervened to try to keep the dollar below Y128 and was able only temporarily to halt the advance.

The strength of the US currency was reported to have prompted the Bank of Canada to intervene to support the Canadian dollar, which slipped to C$1.1912. It also knocked the D-mark, which fell back slightly in the EMS to only 30 per cent above its central level, against 34 per cent on Monday. It dropped to a six-month low of FFr3.3976 against the French franc, although this was seen to be as a result of D-mark weakness rather than any inherent strength in the franc.

Sterling held steady against the D-mark at DM2.8800. It was encouraged slightly by a larger-than-expected rise in the February official reserves of $181m, showing there had been little need to intervene in sterling's support over the month. But it fell against the dollar, ending at $1.7400, compared with $1.7555 on Monday.

£ IN NEW YORK

[illegible]

STERLING INDEX

[illegible]

CURRENCY MOVEMENTS

[illegible]

CURRENCY RATES

[illegible]

OTHER CURRENCIES

Mar 3	£	$
[illegible]	[illegible]	[illegible]
Luxembourg	59.25 - 59.35	34.05 - 34.15
Malaysia	4.4820 - 4.4900	2.5755 - 2.5775
Mexico	5253.30 - 5265.00	3060.25 - 3061.25
N Zealand	3.1685 - 3.1730	1.8210 - 1.8235
Saudi Ar.	6.5000 - 6.5770	3.7495 - 3.7505
Singapore	2.8605 - 2.8675	1.6450 - 1.6470
S Af (Cm)	4.9695 - 4.9815	2.8570 - 2.8580
S Af (Fn)	6.4440 - 6.5660	3.7035 - 3.7735
Taiwan	43.50 - 43.65	25.00 - 25.10
U.A.E.	6.3645 - 6.4415	3.6715 - 3.6735

*Floating rate. Iran Official rate £116.25 $66.60

EMS EUROPEAN CURRENCY UNIT RATES

[illegible]

POUND SPOT - FORWARD AGAINST THE POUND

[illegible]

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

[illegible]

EURO-CURRENCY INTEREST RATES

[illegible]

EXCHANGE CROSS RATES

Mar.3	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Ecu
£	1	1.740	2.880	227.5	9.788	2.618	3.240	2159.	2.070	59.30	1.408
$	0.575	1	1.655	130.7	5.625	1.505	1.862	1241.	1.190	34.08	0.809
DM	0.347	0.604	1	78.99	3.399	0.909	1.125	749.7	0.719	20.59	0.489
YEN	4.396	7.648	12.66	1000.	43.02	11.51	14.24	9490.	9.099	260.7	6.189
F Fr.	1.022	1.778	2.942	232.4	10.	2.675	3.310	2206.	2.115	60.58	1.438
S Fr.	0.382	0.665	1.100	86.90	3.739	1	1.238	824.7	0.791	22.65	0.538
N Fl.	0.309	0.537	0.889	70.22	3.021	0.808	1	666.4	0.639	18.30	0.435
Lira	0.463	0.806	1.334	105.4	4.534	1.213	1.501	1000.	0.959	27.47	0.652
C$	0.483	0.841	1.391	109.9	4.729	1.265	1.565	1043.	1	28.65	0.680
B Fr.	1.686	2.934	4.857	383.6	16.51	4.415	5.464	3641.	3.491	100.	2.374
Ecu	0.710	1.236	2.045	161.6	6.952	1.859	2.301	1533.	1.470	42.12	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

[illegible]

LONDON (LIFFE)

[illegible]

CHICAGO

[illegible]

PARIS

[illegible]

BASE LENDING RATES

	%		%		%
[illegible]		[illegible]		[illegible]	
Brit Bk of Mid East	10.5	Heritable & Gen Inv Bnk	10.5	Unity Trust Bank Plc	10.5
● Brown Shipley	10.5	● Hill Samuel	10.5	Western Trust	10.5
CL Bank Nederland	10.5	C. Hoare & Co.	10.5	Westpac Bank Corp.	10.5
Citibank NA	10.5	Hongkong & Shanghai	10.5	Whiteaway Laidlaw	10.5
City Merchants Bank	10.5	Julian Hodge Bank	10.5	Yorkshire Bank	10.5
Clydesdale Bank	10.5	● Leopold Joseph & Sons	10.5		
Co-operative Bank	10.5	Lloyds Bank	10.5		
Coutts & Co	10.5	Meghraj Bank Ltd	10.5		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

Six-month blues

TRADING was extremely slow on the UK money market, with little movement except in short rates.

While today marks six months of the 10½ per cent base rate, dealers will find little to celebrate. When the rate fell last September, the markets expected another cut to follow soon.

It failed to materialise, and some dealers are even discounting any cut before the general election.

"The market wants a base rate cut but doesn't know when to expect it," said Mr Peter Luxton, senior economist at Barclays. "Most estimates see it happening some time within about the next 20 working days.

"If it doesn't come, then it's difficult to know how the markets will react."

The subdued market was not helped when the liquidity shortage proved less amenable to the authorities' efforts to relieve it than it had on Monday.

The Bank of England forecast a moderate shortage of around £600m, mainly due to £646m of treasury bills and maturing assistance, and £306m of bills for repurchase.

It did not operate on the early round, but later revised its forecast to £650m. Even then, however, it purchased only £22m of band 1 and 2 bank bills at 10⅜ per cent.

In the afternoon the forecast increased again to £750m, but the Bank still took out only some of the shortage, purchasing £108m of band 1 bank bills at 10⅜ per cent. The remaining shortfall was partly covered by late assistance of £415m.

Early overnight rates hovered around 10¼ per cent, but firmed to 11-10⅞ per cent after midday and went as far as 12-11¾ after the 2pm shortage forecast, before drifting off to 11-10¼ per cent at the close.

Other rates were little changed, with the key three-month interbank stable at 10⅝-10½ per cent, although the March short sterling contract dropped four basis points to 89.69.

German call money rates firmed slightly to 9.60/70 per cent, from 9.55/65 on Monday, on fears that Bundesbank reserves were rather low.

As expected, the Federal Reserve added reserves to the US system through two-day system repurchase agreements. Federal funds had been trading at at 4$\frac{1}{16}$ per cent, above the presumed target of 4 per cent.

UK clearing bank base lending rate
10.5 per cent
from September 4, 1991

FT LONDON INTERBANK FIXING

[illegible]

MONEY RATES

[illegible]

LONDON MONEY RATES

[illegible]

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

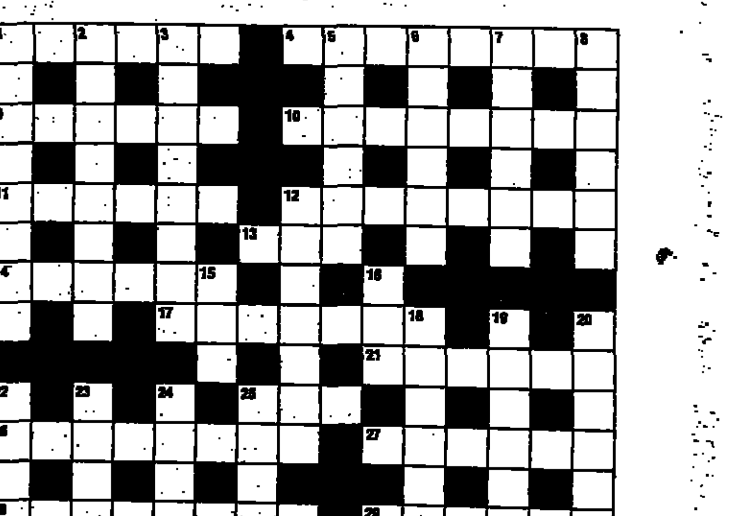
Money Market Bank Accounts

[illegible]

JOTTER PAD

CROSSWORD

No.7,789 Set by DOGBERRY



ACROSS
1 Company doctor at war (6)
4 Queen pursues Maoist agitation (8)
9 Where to shop for a cedar plantation (6)
10 Right in the middle of the country – what? – French 257 (8)
11 Note sword in "The Home of the Brave" (8)
12 Terminally nervous headache? Tense? Take this (8)
13, 25, 16 — with 10; could make Wagnerite (6)
1415 catches backsliding church (8)
17 Return to dine, I regret, in the ditch (7)
21 Beam about scarlet costume (8)
25 See 13
26 Pernickety Italian poet back to front in the snapshot (8)
27 Religiously affiliated 16? (6)
28 16 making one get rattler, perhaps (6)
29 Bird turning river to barrier (8)
30 Fish out the Pogues' "Red Roses", initially (6)
31 Block note in eye trouble (8)

DOWN
1 Sit up in "Hunt 26c" (6)
2 In God, the Spanish find 100 fish (8)
3 13 watchers (8)
5 Hollow tree and rotten tree sway (6)
6 Wholesome message about time and one of its victims .... (6)
7 .... these quintessences of dust, hiding a sparkle (6)
8 Material for doctored smoking jacket (6)
12 Rabid racist, one expressing scorn (7)
15, 16 Listen in on buzz of hypocrisy (6)
18 It shows the way to conclude letters .... (8)
19 .... PS: rewrote "Maud", circumventing dead end (8)
20 One per cent? Not on! Dismal 15, 16! (8)
22 Bound to follow 25 (6)
23 German essayist to embellish nothing (6)
24 Like military feet, or part of one? (6)
25 Time for Ice Queen to succeed evil twin (8)

Solution to Puzzle No.7,788

ROBUST MILLINER
O O O B D A E U
TAXIDERMY DIVAN
A C A O L Y E N
TRAP DOYLYCARTE
I M O D I H R
OVERFLY CRAFTY
N R F P I T
CARING STEAMER
I C O O L E I
STAGECOACH SCAB
O N B D I O H U
MOTTO BOATSWAIN
E R Y Y L S R A
ROADSTER MARTEL

WORLD STOCK MARKETS

AUSTRIA | FRANCE (continued) | GERMANY (continued) | NETHERLANDS | SWEDEN (continued) | BELGIUM/LUXEMBOURG | SWITZERLAND | DENMARK | NORWAY | FINLAND | SPAIN | ITALY | SOUTH AFRICA | FRANCE | GERMANY | JAPAN | AUSTRALIA | HONG KONG | MALAYSIA | SINGAPORE

CANADA

TORONTO

4:00 pm prices March 3

Quotations in cents unless marked $

Sales	Stock	High	Low	Close	Chng
118900	CanTire A	$20¼	20⅛	20¼	
13300	Can Util A	$19¾	19⅝	19¾	+⅛
800	Can Util B	$20½	20½	20½	
1000	Canamax	38	38	38	
30400	Canfor	$27¾	27⅛	27¼	+⅛
100700	CdnForest	$25⅛	25¼	25⅜	−⅛
100	Cara Op	$5⅜	5⅜	5½	
1800	Cascades	$7⅞	7⅞	7⅞	−¼
600	Celanese	$45½	45½	45½	
100	Cntrl Cap	35	35	35	
17100	Chieft Dev	345	320	345	+25
23800	Cntrl Fd A	460	450	460	+10
18800	Cominco	$20⅜	20¼	20⅜	+⅛
1000	Coputalog	85	85	85	
6100	Labatt	$27	26⅞	27	
180500	Lac Mnls	$8⅛	8	8	−⅛
100	Lafarge	$16½	16½	16½	
3500	Laidlaw A	$11¾	11½	11¾	
370900	Laidlaw B	$11⅞	11⅝	11¾	+⅛
400	Laurent Bk	$20⅛	20⅛	20⅛	
103300	Ranger Oil	$8⅜	8⅜	8⅜	−⅛
3800	Rayrock	u$6¼	6	6¼	+¼
1000	Reed Stenh	$24¾	24½	24½	
500	Reitman S	$19¾	19¾	19⅞	
57800	Renaissance	$13	12⅞	13	
19900	Repap Ent	$6¼	6¼	6½	
4400	Rio Algom	$17¼	17½	17¼	−⅛
345300	RogersComB	$13⅝	13½	13⅝	
6900	Rothmans	592	92	82	
81200	RoyalBkCan	$26¼	25¾	26¼	−½
28600	Ryl Oak Mn	176	175	175	

MONTREAL

4:00 pm prices March 3

Sales	Stock	High	Low	Close	Chng
16100	Cambior	$8½	8¼	8¼	−⅛
204800	CanImp Bk	$33½	33	33	−⅛
900	CanMarconi	$17	17	17	
525500	Cascades	$8⅛	7⅞	7⅞	−⅛
37900	DominTxt A	$9	8¾	8⅞	−⅛
36600	MacleanHnt	$11⅞	11⅝	11¾	−⅛
169900	NatBk Can	$12	11⅞	11⅞	−⅛
8000	Provigo	$8⅞	8⅝	8⅞	+⅛
7400	Quebecor A	$13½	13¼	13½	
8230	Teleglobe	$12½	12¼	12½	+⅛
4200	Videotron	$17⅞	17	17¼	−⅛

Total Sales 10,827,100 shares

INDICES

NEW YORK

DOW JONES	Mar 3	Mar 2	Feb 28	Feb 27	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3290.25	3275.27	3267.67	3269.45	3290.25 (3/3)	3172.41 (2/1)	3290.25 (3/3/92)	41.22 (2/7/32)
Home Bonds	99.34	99.31	99.50	99.37	99.81 (6/2)	98.56 (24/2)	99.21 (5/2/92)	54.99 (1/10/81)
Transport	1457.40	1443.01	1428.25	1432.17	1467.68 (20/2)	1342.12 (2/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	204.43	204.99	205.62	205.87	225.59 (3/1)	203.74 (24/2)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 3313.22 (3298.97) Low 3258.50 (3242.40)

STANDARD AND POOR'S	Mar 3	Mar 2	Feb 28	Feb 27	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	412.85	412.45	412.70	413.86	420.77 (15/1)	407.38 (16/2)	420.77 (15/1/92)	4.40 (1/6/32)
Industrials	491.59	490.69	491.08	492.45	499.27 (15/1)	483.91 (18/2)	499.27 (15/1/92)	3.62 (21/6/32)
Financial	34.83	34.86	34.75	34.88	35.14 (15/1)	33.53 (31/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	228.43	228.20	228.21	228.75	231.85 (15/1)	225.65 (18/2)	231.85 (15/1/92)	4.46 (25/4/42)
Amex Mkt. Value	415.49	416.79	416.09	416.09	418.99 (12/2)	395.52 (2/1)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	634.25	636.47	633.47	633.95	644.92 (12/2)	586.45 (2/1)	644.92 (12/2/92)	54.87 (31/10/72)

	Feb 28	Feb 21	Feb 14	year ago (approx.)
Dow Industrial Div. Yield	2.79	2.78	2.82	3.45

	Feb 26	Feb 19	Feb 12	year ago (approx.)
S & P Industrial div. yield	2.57	2.60	2.54	2.19
S & P Indl. P/E ratio	29.03	25.03	25.61	17.77

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Glaxo	3,871,800	28¼	+ ⅛
Bally	2,190,400	7¼	+ ⅛
GTE Corp	2,171,300	30⅛	- ½
BankAmer	2,082,100	45¼	+ ⅞
Duracell Int	2,011,500	28¼	- ⅞
ITT Corp	1,844,100	69⅞	+ 3¼
Am T & T	1,621,600	37⅛	+ ⅛
Chrysler	1,598,900	17¼	+ ½
RJR Nabisco	1,590,500	10¼	- ⅛
Exxon	1,584,900	55⅛	- ⅛

TRADING ACTIVITY

† Volume Millions	Mar 3	Mar 2	Feb 28
New York SE	200.860	150.380	202.130
Amex	16.189	16.503	13.213
NASDAQ	(u)	4.186	204.644
NYSE			
Issues Traded	2,224	2,220	2,230
Rises	920	907	818
Falls	767	806	883
Unchanged	537	507	529
New Highs	101	79	88
New Lows	19	16	14

CANADA

TORONTO	Mar 3	Mar 2	Feb 28	Feb 27	1992 HIGH	1992 LOW
Metals & Minerals	3115.70	3096.57	3096.02	3094.21	3238.87 (16/1)	2935.22 (2/1)
Composite	3576.79	3579.47	3581.94	3584.08	3666.00 (16/1)	3493.66 (2/1)
MONTREAL Portfolio	1877.49	1878.27	1880.01	1883.31	1937.59 (16/1)	1861.90 (20/2)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Mar 3	Mar 2	Feb 28	Feb 27	1992 HIGH	1992 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1621.7	1625.4	1614.2	1623.2	1675.60 (15/1)	1590.90 (7/2)
All Mining (1/1/80)	704.0	707.3	700.6	708.2	717.20 (25/2)	660.30 (2/1)
AUSTRIA						
Credit Aktien (30/12/84)	449.71	451.59	453.27	453.35	458.57 (24/2)	372.24 (2/1)
Traded Index (2/1/91)	1079.80	1085.22	1089.24	1087.22	1099.43 (24/2)	901.64 (2/1)
BELGIUM						
BEL20 (1/1/91)	1234.72	1229.21	1218.55	1205.92	1234.72 (3/3)	1097.23 (8/1)
DENMARK						
Copenhagen SE (3/1/83)	344.59	345.34	347.54	349.17	365.29 (15/1)	344.59 (3/3)
FINLAND						
HEX General (28/12/90)	888.5	901.9	907.9	912.1	935.90 (24/2)	779.00 (2/1)
FRANCE						
CAC General (31/12/82)	527.68	526.95	526.54	528.76	528.76 (27/2)	475.53 (2/1)
CAC 40 (31/12/87)	1983.77	1979.67	1983.38	1985.12	1985.12 (27/2)	1749.91 (2/1)
GERMANY						
FAZ Aktien (31/12/58)	715.44	709.29	709.75	708.76	715.44 (3/3)	643.26 (8/1)
Commerzbank (1/12/53)	2026.70	2008.8	2010.9	2008.5	2026.70 (3/3)	1813.80 (8/1)
DAX (30/12/87)	1763.31	1747.87	1745.13	1749.90	1763.31 (3/3)	1578.73 (8/1)
HONG KONG						
Hang Seng Bank (31/7/64)	4911.13	4852.19	4929.06	4895.13	4929.06 (28/2)	4301.78 (2/1)
IRELAND						
ISEQ Overall (4/1/88)	1426.0	1419.81	1421.87	1423.12	1469.57 (17/1)	1391.49 (8/1)
ITALY						
Banca Com. Ital. (1972)	529.42	532.40	536.03	540.50	551.59 (6/2)	507.43 (2/1)
MIB General (2/1/87)	1042.0	1050.0	1058.0	1064.0	1086.00 (5/2)	981.00 (2/1)
JAPAN						
Nikkei (16/5/49)	21051.71	21487.82	21338.81	21333.70	23801.18 (6/1)	20618.30 (19/2)
Tokyo SE (Topix) (4/1/68)	1542.43	1561.07	1554.49	1553.65	1763.43 (6/1)	1520.62 (19/2)
2nd Section (4/1/68)	2323.65	2339.97	2351.75	2352.82	2459.85 (6/1)	2283.71 (28/1)
MALAYSIA						
KLSE Composite (4/4/86)	597.83	601.93	605.06	600.66	619.06 (20/2)	546.63 (14/1)
NETHERLANDS						
CBS Tr Rtn Gen. (End 1983)	294.4	292.8	293.0	292.9	294.40 (3/3)	274.00 (8/1)
CBS All Shr (End 1983)	206.7	205.6	205.8	205.4	206.70 (3/3)	192.40 (8/1)
NORWAY						
Oslo SE Indl (2/1/83)	698.25	685.38	673.35	675.44	748.03 (17/1)	667.88 (25/2)
PHILIPPINES						
Manila Comp (2/1/85)	1157.46	1171.83	1183.67	1201.11	1303.30 (17/1)	1139.36 (28/2)
SINGAPORE						
SES All-Singapore (2/4/75)	390.49	391.91	395.97	394.89	416.99 (21/1)	390.49 (3/3)
SOUTH AFRICA						
JSE Gold (28/9/78)	1218.04	1220.0	1239.0	1229.0	1327.00 (21/1)	1119.00 (2/1)
JSE Industrial (28/9/78)	4375.04	4397.0	4417.0	4401.0	4535.00 (15/1)	4169.00 (2/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	615.92	620.65	614.99	624.36	691.48 (8/2)	604.63 (15/1)
SPAIN						
Madrid SE (30/12/85)	265.35	266.36	266.51	264.68	266.51 (28/2)	238.93 (2/1)
SWEDEN						
Affarsvariden Gen. (1/2/37)	961.30	950.9	940.4	935.4	989.20 (20/1)	913.70 (2/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	812.0	809.5	809.5	806.2	812.00 (3/3)	748.50 (8/1)
SBC General (1/4/87)	650.1	649.4	649.9	646.4	650.10 (3/3)	601.10 (8/1)
TAIWAN**						
Weighted Price (30/6/66)	5056.64	5144.37	5031.69	5019.22	5391.63 (30/1)	4692.17 (6/1)
THAILAND						
Bangok SET (30/4/75)	788.52	779.10	782.85	780.18	816.50 (17/2)	711.81 (3/1)
WORLD						
M.S. Capital Intl (1/1/70) ($)	516.8*	515.2	514.4	515.0	542.10 (7/1)	506.80 (19/2)
Euro Top-100 (26/6/90)	943.20	939.91	939.92	938.50	943.20 (3/3)	870.31 (2/1)

**Saturday February 29: Taiwan Weighted Price 5142.42. Korea Comp Ex. 612.50.
& Subject to official recalculation. *Calculated at 15.00 GMT
Base values of all indices are 100 except Austria Traded, BEL20, HEX Gen., MIB Gen., Euro Top-100, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Tuesday 3 March 1992

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Sumitomo Chem.	11.2m	474	+28	Kaken Pharm	3.3m	1,460	-30
Japan Storage	7.4m	1,100	+30	Nippon Steel	3.2m	343	-3
Dainippon Phar	6.0m	1,810	+10	Bank Yokohama	2.6m	1,190	-10
Mochida Pharm.	5.0m	3,680	-90	Mitsui Mining	2.6m	780	+18
Clarion	3.3m	1,230	-80	Nippon Mining	2.4m	475	-9

Price data supplied by Telekurs.

4:00 pm prices March 3

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15⅝	12⅛	AAR Corp	0.48	3.1	17	240	15⅝	15½	15½	-⅛
26	20⅝	A L Labs A	0.16	0.7	26	461	23⅝	22½	23⅝	+1⅛
68¾	58⅛	AMP Inc	1.52	2.4	25	978	63½	62¼	63¼	+⅛
79	68⅝	AMR				277989	u79½	78⅜	79⅛	+⅛
2⅛	1⅜	ARX			2	313	u2⅛	2	2	-⅛
53½	46¼	ASA	2.75	5.8	13	246	47⅞	47⅞	47⅞	-½
68⅜	60¼	Abbott Lab	0.60	1.0	24	2846	63⅝	62½	62⅞	-⅜
13½	12⅛	Abitibi Pr	0.43	3.2	28	z100	13⅛	13⅛	13⅛	
11⅝	10½	ACM Gvt In	0.96	9.0		304	10⅝	d10½	10⅝	+⅛
10⅜	9⅛	ACM GvOpp	0.80	8.4		388	9½	9¼	9½	+⅛
9½	8⅝	ACM Gvt Se	0.80	9.1		253	8⅞	8¾	8¾	
11¼	10⅛	ACM Gvt Se	0.96	9.1		278	10½	10⅜	10½	
9⅞	8⅝	ACM Man	0.95	10.4		422	9¼	9⅛	9⅛	-⅛
12⅞	10⅞	ACM Managd	1.08	9.5		215	11⅜	11⅛	11⅜	+⅛
10⅛	7	Acme Cleve	0.40	4.0	18	100	10	9¾	9⅞	
5¼	4½	Acme Elect			3	14	5⅛	4⅞	5⅛	+⅛
33¼	21	Acuson			13	2976	21¼	d21	21	-¼
19⅞	18½	Adams Expr	0.48	2.5	0	128	19¼	19⅛	19¼	
15½	13	Adobe12Pf	2.40	16.3		16	14⅞	14⅝	14¾	+¼
5⅞	4½	Adobe Res			2	42	5	5	5	
49⅛	42¼	Ad Micro	3.00	6.9		382	43¼	42½	43¼	-¼
21½	17⅜	Ad Micro P	3.00	16.7	11	1050	18⅛	17¾	18	-⅛
9⅛	5	Advest Grp	0.16	1.8	35	184	8¾	8⅝	8⅝	+⅛
71¼	68⅛	Aegon ADR			6	4	69¼	69⅛	69¼	+¼
47	39	Aetna Lf	2.76	6.1	9	7841	45⅜	44⅝	45⅛	+¼
12	8⅞	Affil A	0.24	2.2	75	1351	10⅝	10½	10⅝	+⅛
32⅞	29⅛	Aflac	0.40	1.3	16	1007	29⅞	29½	29¾	+⅛
19⅜	15⅝	Ahmanson	0.88	4.8	8	907	18¼	18⅛	18¼	
22½	15	Alleen Inc			14	469	17½	17¼	17¼	+⅛
87¼	72⅞	Air Pr Chm	0.80	0.9	19	812	87	85⅞	86½	+⅜
29¾	23⅛	Airbrne Frt	0.30	1.0	20	2526	29½	28	29¼	+1½
26	22⅝	Airgas Inc			28	40	25¼	25	25	-¼
12⅞	8⅛	Airlease	1.64	14.0	7	59	12	11¾	11¾	-⅛
104	99½	AlaPw8.16	8.16	8.0		z100	u104	104	101½	-2½
25⅛	21⅜	AlaPw PfA	2.00	8.0		11	u25⅛	25⅛	25⅛	
107	103½	AlaPw9.44	9.44	9.0		4	106½	105	105	
108	102⅝	Alab Pw 11				2	104	104	104	
105	101½	Alab Pw 9P	9.00	8.8		z100	102½	102	102	
105	100¼	Alab 8.28C	8.28	8.1		2	102¼	102⅛	102⅛	+⅝
11	10½	AlaPwDpPf	0.87	8.1		10	10¾	10⅝	10¾	+⅛
23⅞	21½	Alaska Air	0.20	0.9	85	372	22⅛	22	22⅛	+⅛
21⅛	15¾	Albany Int	0.35	1.7	49	1224	21⅛	20¼	20¾	+⅛
32	24½	AlCulvr B	0.24	0.9	22	152	25½	25⅛	25½	
25⅜	21	AlCulvr A	0.24	1.0	19	102	23	22¾	22¾	-½
44	38⅜	Albertsons	0.66	1.3	22	1829	43¾	42	43½	+1¼
22¾	19½	Alcan Alum	0.60	2.9	83	2541	20¾	20½	20¾	+⅛
[illegible]										

NYSE COMPOSITE PRICES

Continued from previous page

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
82¼	66½	Xerox x	3.00	3.8	15	1016	78⅝	77¾	78¼	+½
53½	50½	Xerox4.125 s				3	52½	52⅜	52½	+⅛
27½	24⅞	Xtra 1.94	1.94	7.2		22	27	27	27	+⅛
34¾	28½	Xtra Corp	0.80	2.4	14	58	33¾	33¼	33¾	+½
27	25¼	Yankee Egy	1.60	6.0	13	21	26¾	26⅜	26⅝	−⅛
1⅜	½	Zapata			34	1439	u1½	1¼	1⅜	+⅛
11⅞	7¼	ZenithElec			5	447	9¾	9¾	9¾	
17	14½	Zenith Nat	1.00	5.8	7	282	u17¼	16¾	17⅛	+⅛
6¾	6	Zenix Inc	0.84	12.7		76	6⅝	6½	6⅝	+⅛
13⅞	11⅛	Zero Corp	0.40	3.1	19	1288	13⅛	13	13	−⅛
38	34¼	Zurn Ind	0.88	2.4	16	200	36⅝	35¾	36	−⅛
14⅛	12¾	Zweig Fund	1.16	8.9		151	13⅛	12⅞	13	
11	9⅞	Zweig Totl	0.96	9.1		956	10½	10¼	10½	+⅛

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4:00 pm prices March 3

NASDAQ NATIONAL MARKET

4.00 pm prices March 3

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		31	871	30	29½	30	+¼
Xoma Corp		13	5495	24¼	22½	23¼	+1¼
Yellow Fr	0.94	23	620	31⅞	31¼	31½	−⅛
York Rsch		48	1734	6	d5½	5⅞	−⅛
ZionsUtah	1.44	10	84	49¼	48	48	−1½

AMERICA

Housing starts data help Dow to record high

Wall Street

DESPITE ANOTHER rise in bond yields, an increase in monthly housing starts and a rise in leading economic indicators helped the Dow Jones Industrial Average reach another new record close yesterday, *writes Patrick Harverson in New York.*

At the end of trading the Dow was up 14.98 at 3,290.25, eclipsing its previous record close of 3,283.32 which was achieved last week. The more broadly based Standard & Poor's 500 also ended firmer, up 0.41 at 412.86, while the Nasdaq composite of over-the-counter stocks, still prey to profit-takers, edged 1.22 lower to 634.25. Turnover on the NYSE was 202m shares, and rises outpaced declines by 906 to 780.

On Monday the main influence on stock market sentiment was the big jump in bond yields, and the fear that high long-term interest rates might stifle the economic recovery. Yesterday, however, the market shrugged off another increase in bond yields, concentrating instead on the rise in January leading indicators and the 12.9 per cent advance in monthly housing starts. Both sets of data back up other recent evidence pointing to a modest recovery in economic activity.

ITT jumped $3⅛ to $69¾ in turnover of 1.6m shares after the company announced that it expected to realise a $400m gain from the sale of its 30 per cent stake in Alcatel NV, the telecommunications subsidiary of Alcatel Alsthom of France. ITT also said that it may use the cash to buy back some of its own stock.

UAL rose $⅞ to $153 after the airline filed with the Securities and Exchange Commission plans for a shelf offering of up to $1bn of equipment trust certificates.

Toys 'R' Us firmed $1¼ to $35¾ in busy trading after Mr Michael Exstein, analyst with County NatWest, reiterated his "buy" recommendation on the stock, arguing that the decision of the toy retailer's main rivals, especially Child World, to focus on profitability will aid Toys 'R' Us, which has been under strong pricing pressure from competitors recently.

Santa Fe Pacific rose $⅞ to $11¼ following an upgrade from Shearson Lehman Brothers, which believes the decline in the railroad company's stock price now makes the shares attractive.

Amdahl fell $1½ to $18¾ on the American Stock Exchange as some industry analysts cut their earnings estimates for the computer company on the news that it is delaying shipment of its 5995M computers until the third quarter.

Nutmeg Industries rose $3¾ to $24¼ following fourth quarter profits for the sportswear manufacturer and retailer of 23 cents a share, a big improvement on the six cents a share earned at the same stage in 1990.

On the over-the-counter market, Sunrise Technologies plunged $4½, or 26 per cent, to $13 after the company projected a first quarter loss from operations.

Canada

TORONTO share prices closed little changed in moderate trading which was concentrated mostly in the last two hours of the session because of a technical problem between 10 am and 2 pm EST.

According to preliminary data, the composite index slipped 2.68 points, or 0.07 per cent, to 3,576.7 and losing issues edged winners by 268 to 251.

Volume of 19.5m shares was above the previous 18.4m, and trading value was C$213.9m against C$201.4m.

SOUTH AFRICA

JOHANNESBURG slipped back although the all-gold index staged a slight recovery to close down 2 at 1,218. The overall index lost 19 to 3,559 and the industrial index was down 22 at 4,375. De Beers fell R1.15 to R88.75.

European building stocks enjoy return to favour

But many had a lot of ground to make up after an unhappy close to 1991, says William Cochrane

European construction stocks have enjoyed a return to favour this year, but many of them had a lot of ground to make up after an unhappy close to 1991.

The FT-Actuaries index for Europe, excluding the UK, ended 10.6 per cent higher last year. According to County NatWest, the construction and building materials component showed a rise in local currency terms of just 0.9 per cent.

The sector dropped 12.5 per cent in the fourth quarter of 1991. Continental Europe joined the real estate casualty list last year and worldwide construction activity is forecast to be weak well into 1993, especially where central business district office buildings are concerned.

Construction is an industry where luck matters, accidents happen and mistakes are often punished unmercifully. Country by country, and share by share, it produced some stark contrasts in 1991.

In France, Bouygues outperformed the sector, and Europe as a whole in 1991, rising 16.5 per cent. This compared with a 22.7 per cent drop at Spie Batignolles, Schneider's building, civil and industrial engineering subsidiary which accelerated into a 41.2 per cent slump in the final three months of the year.

Both companies outperformed Europe in January; but Schneider said earlier this month that Spie had slumped into net losses of FFr95m for 1991 against a previous net profit of FFr250m. In February, Spie's share price ended more or less where it started, while Bouygues rose 3.5 per cent and the Paris market's CAC 40 index by 5.6 per cent.

James Capel said in mid-February that interest in Spie shares could only be justified by hopes of:

● A rapid improvement in earnings at the operating level, which they discount as slim; or

● Schneider disposing of one or more Spie divisions.

"It is also possible that Schneider might decide to take advantage of the present weakness in the share price and buy up the minority interest," said Capel. "However, only the brave should be prepared to buy on this expectation."

In Spain, Agroman stood out in a sector full of deep downtrends, with a fall of 45 per cent in the final quarter, recovering to produce a a recovery of about 25 per cent since then. Mr Miguel Olabarri of Schroder Securities says that, following the Spanish budget guidelines for 1992 published last summer, the sector reacted to drastic cuts in infrastructural expenditure.

Agroman is medium-large by Spanish standards, ranking number four in the country. It sub-contracts very little of its work compared with other construction groups, says Mr Olabarri, leaving it relatively exposed when a crunch comes; the corollary is that recovery hopes have the reverse effect.

Austria's Universale-Bau offers a parallel to its Spanish counterpart with a fall of 49.2 per cent in October/December followed by a subsequent rally of 30 per cent. Here, Mr Andrew Thomson of Kleinwort Benson noted two years ago that Universale was the company most geared to the then promising Viennese property market.

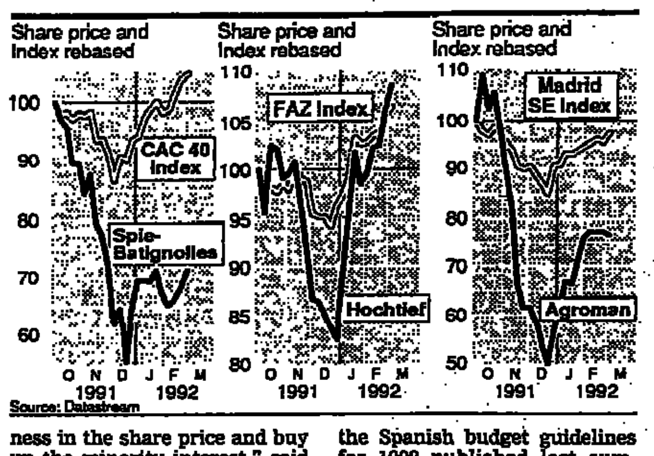
Mr Thomson's colleague, Mr Frank Jonuschat, adds that Universale's final quarter was also hit by enormous problems in an aluminium smelting operation that forced it to raise provisions on the project from Sch500m to Sch795m and, under Austrian law, forced it to pass its dividend. Kleinwort feels that Universale probably does not note its recent performance against the Vienna market, itself up by around a fifth this year.

In Germany, however, Hochtief still exemplifies the hopes of a boom amplified, and extended by German reunification. Mr Roderick Hinkel and Mr Robert Willis of Hoare Govett said on January 2 that the sector had unprecedented opportunities to make both substantial and long-term earnings gains and tipped Hochtief at DM981.

Hochtief shares had fallen by just 10 per cent in 1991 compared with drops of 28 per cent for Spie, 57 per cent for Universale and 49 per cent for Agroman. Since then they have risen by 30 per cent.

Germany's construction prospects are seen as broadly-based, and solid, despite arguments about whether the country itself is, or is not in recession. Mr Michael Geiger of County NatWest says that east Germany is likely to see a 17.5 per cent rise in construction output this year, against a 2 per cent gain for the west.

"This industry is not going over a cliff, not in the next five years," says Mr Geiger. "Its order backlog will last for more than a year, and its new orders intake is fantastic."



Source: Datastream

EUROPE

German turnover more than doubles as foreigners buy

MOOTED on Monday, foreign buying came in to lift German shares, while corporate news moved equities in Paris and Zurich, *writes Our Markets Staff.*

FRANKFURT reported foreign buying as German stock market turnover, cut back by carnival on Monday, more than doubled from DM3.6bn to DM7.6bn. The big four international blue chips, Siemens, Daimler, Deutsche Bank and Volkswagen, accounted for more than DM4bn of the turnover total as the FAZ index rose 6.15 to 715.44 at midsession, and the DAX closed 15.44 better to 1,763.31, its highest close since August, 1990.

Hopes that the US economy is recovering lifted Daimler and Siemens in particular, with gains of DM11.60 to DM768.50, and DM11 to DM699.50 respectively.

Elsewhere there was relative weakness in engineers and some steels, and in most retailers although Kaufhof went against the trend with a DM10 rise to DM527.50. Last week Kaufhof indicated a 33 per cent rise in profits for 1991, and another good year in 1992.

PARIS was dominated by Alcatel Alsthom on the news that it was buying in ITT's 30 per cent stake in its Alcatel NV telecommunications subsidiary. The CAC-40 rose 4.10 to 1,983.77, off a day's high of 1,990.29. Volume improved to FFr2.3bn, of which Alcatel accounted for 15 per cent.

Alcatel closed FFr12 higher at FFr620 with 563,930 shares traded. Analysts said that Alcatel had struck a good deal by offering cash and shares to ITT and that the operation was not seen as dilutive: indeed, it was likely to enhance earnings per share by about 5 per cent this year. The downside of the deal is that Alcatel's gearing is likely to rise to between 35 per cent and 40 per cent from around 20 per cent.

MILAN closed broadly lower as volume dwindled ahead of the general election next month. The banking sector was depressed by reports that Moody's, the US credit rating agency, was concerned that the rapid growth of bank loans in Italy would lead to a deterioration in debt quality. The Comit index fell 2.98 to 529.42 in turnover estimated at not more than Monday's L75bn.

Among banks, BCI fell 2.1 per cent or L84 to L3,841 while Credito Italiano eased L61 or 2.9 per cent to L2,040.

The insurance sector remained weak in the wake of President Francesco Cossiga's scuppering of an important reform of car insurance premiums at the weekend. A flight to quality supported Generali, which added L30 to L30,710.

ZURICH moved on company news, Alusuisse bearers topping the active list and falling SFr26 to SFr908 on a 62 per cent drop in profits and a share split and Sulzer, the engineer, seeing its registered up SFr70 to SFr5,560 on cooperation with a Japanese company, a plan to abolish restrictions on foreign shareholdings immediately, and a share split here, too.

The all-share SPI index rose 3.8 to 1,151.9. Swiss Bank Corp (SBC) bearers rose SFr2 to SFr312 ahead of today's annual news conference; meanwhile, trading in in Banca Della Svizzera Italiana, in which SBC holds a majority, was suspended pending an announcement, also today.

BRUSSELS maintained its strong run with the Bel-20 index closing up 5.51 at 1,234.72, its second successive record high. Turnover was BFr1.2bn against BFr1.49bn. Delhaize was active and hit a record high of BFr9,330, before closing up BFr90 at BFr9,270.

Groupe AG, the insurer, rose BFr30 to BFr2,230, but Générale de Banque, its possible partner in a merger, slipped back BFr10 to BFr6,750.

AMSTERDAM finished mixed, the CBS Tendency index closing up 0.8 at 127.0 in turnover of Fl 762.4m.

DSM, the chemicals group, gained strongly, partly on options trading and closed up Fl 2.50 or 2.3 per cent at Fl 110.0 ahead of 1991 results next Monday. Philips gained Fl 1.10 or 3 per cent to Fl 37.6 on good institutional demand.

Bührmann Tetterode recovered some of Monday's losses and finished up 20 cents at Fl 43.30.

Heineken continued to rise and closed up 60 cents at Fl 169.40. Its 1991 results are due tomorrow and net profits are forecast around Fl 389m.

MADRID slipped back slightly in dull trading. The general index closed down 0.81 at 265.55 in turnover of Pta14.6bn. The banking sector weakened after early gains: Iberdrola put on Pta2 at Pta783 in trade of 2.5m shares. Telefónica's initial rise of Pta15 was wiped out when Wall Street opened and it closed unchanged at Pta1,175.

OSLO rose nearly 2 per cent, the all-share index closed up 8.28 at 427.19 in turnover of NKr332.28m. Norsk Hydro gained NKr4.5 to NKr146, while Saga Petroleum free shares added NKr1 to NKr91.

STOCKHOLM rose in good volume, the Affärsvärlden General index closing 10.4 higher at 961.3 in turnover of SKr525m. HELSINKI tumbled again on profit-taking, the Hex index falling 13.4 to 888.5.

ISTANBUL's slide continued and the 75-share index fell 47.01 to 3,485.39, a drop of 4.9 per cent on the week so far and its lowest close since November 1990.

FT-SE Eurotrack 100 - Mar 3								
Hourly changes								
Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm	close	
1173.51	1173.64	1174.98	1175.87	1176.65	1176.81	1176.49	1176.44	
Day's High 1177.17				Day's Low 1173.41				
Mar 2	Feb 28	Feb 27	Feb 26	Feb 25				
1169.17	1169.95	1167.26	1165.89	1156.42				

Base value 1000 (26/10/90).

ASIA PACIFIC

Nikkei falls 2% as rate cut hopes fade

Tokyo

THE NIKKEI average fell 2 per cent yesterday as expectations of an interest rate cut diminished in the face of a weaker yen and higher bond yields, *writes Emiko Terazono in Tokyo.*

The 225-issue average closed down 436.11 at the day's low of 21,051.71. The index gained briefly in the morning on continued strength in bio-technology stocks, hitting the day's high of 21,529.61. However, profit-taking by dealers and arbitrage unwinding pushed it lower again.

Volume rose to 240m shares from 200m as investors sold the auto, electronics and drug sectors. Declines outnumbered advances by 742 to 207 with 179 issues unchanged. The Topix index of all first section stocks fell 18.64 to 1,542.43 and, in London, the ISE/Nikkei 50 index fell 3.19 to 1173.93.

The fall in drug stocks, which have been actively traded during the past week, depressed sentiment.

Some traders noted a shift in interest to environmental protection stocks. Japan Storage Battery, which produces batteries for electric cars, rose Y30 to Y1,100 while Ebara, the industrial pump-maker known for its sewage technology, added Y10 to Y1,550.

Sumitomo Chemical, the most active issue of the day, rose Y28 to Y474 on heavy buying by a UK brokerage house. Speculation that the company's affiliate would team up with a British drug maker prompted some investors to pursue the stock.

Aids-related issues, which had led the recent rally, fell on profit-taking. Mochida Pharmaceutical fell Y90 to Y3,680 and Nippon Mining retreated Y9 to Y475.

A total of 73 issues hit new lows since the beginning of last year. Concerns over slowing corporate earnings depressed Hitachi which declined Y13 to Y822 and Nissan Motor, down Y26 to Y610.

In Osaka, the OSE average fell 243 to 22,906.06 in volume of 54.3m shares. The OSE announced yesterday that it will terminate trading in its "Stock Futures 50", a futures contract based on 50 stocks listed on the OSE, from March 12.

The contract, launched in 1987, was the first futures contract to be listed on a Japanese stock exchange. Although daily volume rose above 5,000 contracts soon after its launch, investors abandoned the contract after the listing of the Nikkei 225 futures in 1988. Trading in Stock Futures 50 has since fallen to just one trade per day.

Roundup

THE Pacific Rim ended lower, depressed by the fall in Tokyo, but Indian share prices soared through a third successive record breaking day, boosted by Saturday's budget.

BOMBAY's BSE Index leapt another 139.53, or 4.2 per cent, to a new closing peak of 3,472.78. The index has risen by 22 per cent cent since the budget, and some 80 per cent since the beginning of the year.

Brokers said that at least 80 private mutual funds are awaiting approval to launch, hoping to bring about Rs160bn into the stock market, and that state-owned investment institutions and mutual funds, which used to offload stocks to stabilise the market, have stopped selling.

HONG KONG ended lower in quiet trading as investors took profits following the market's recent record-breaking rally. The Hang Seng index lost 41.06 to 4,911.13. Hutchison fell 10 cents to HK$16 on talk that it plans to make a rights issue.

SEOUL fell following the suspension of trading in Sammi Steel shares after rumours, later denied, that the company had sought court protection from creditors. The composite index fell 4.73 to 615.92 in turnover of Won326.26bn.

TAIWAN was pulled lower in late selling and the weighted index closed down 87.73 at 5,056.64 in turnover of T$33bn.

MANILA fell as investors remained nervous ahead of May's presidential election. The composite index closed down 14.37 at 1,157.46 in turnover of 388m pesos.

BANGKOK rose on heavy buying of Bangkok Bank in the last hour of trading. The SET index ended 9.42 up at 788.52 on turnover of Bt5.52bn. Bangkok Bank rose Bt28 to Bt660.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY MARCH 3 1992								MONDAY MARCH 2 1992					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1991/92 High	1991/92 Low	Year ago (approx)
Australia (69)	145.21	−0.7	123.73	120.06	124.98	128.45	−0.4	4.30	146.28	123.54	119.88	124.76	128.91	160.31	112.74	127.50
Austria (20)	178.34	−1.2	151.96	147.45	153.50	153.46	−0.5	1.88	180.48	152.42	147.91	153.93	154.21	222.37	153.86	215.46
Belgium (46)	141.93	−0.3	120.93	117.34	122.16	119.35	+0.4	4.94	142.35	120.22	116.65	121.41	118.83	151.20	118.04	149.18
Canada (115)	134.89	−0.4	114.94	111.53	116.09	116.29	+0.1	3.19	135.47	114.41	111.02	115.54	116.20	144.28	126.49	141.10
Denmark (36)	241.53	−0.8	205.80	199.70	207.88	210.82	+0.1	1.70	243.45	205.60	199.52	207.63	210.67	273.94	217.74	264.65
Finland (15)	82.94	−3.4	70.67	68.58	71.38	78.86	−2.3	2.15	85.84	72.49	70.35	73.21	80.51	125.15	73.32	115.12
France (108)	154.82	−0.6	131.92	128.00	133.24	136.61	+0.2	3.25	155.81	131.59	127.68	132.88	136.32	156.43	119.11	151.26
Germany (65)	120.47	+0.0	102.65	99.62	103.69	103.69	+1.0	2.22	120.43	101.71	98.71	102.71	102.71	125.35	94.15	119.99
Hong Kong (55)	203.37	−0.7	173.28	168.14	175.05	202.46	−0.7	3.79	204.89	173.04	167.91	174.76	203.98	204.89	119.62	146.09
Ireland (18)	161.33	−0.6	137.46	133.39	138.85	141.02	+0.0	3.62	162.26	137.03	132.98	138.39	141.08	182.46	132.88	171.50
Italy (77)	74.35	−1.2	63.35	61.47	63.99	68.90	−0.4	3.36	75.28	63.58	61.69	64.21	69.21	88.23	64.76	83.68
Japan (473)	116.02	−2.1	98.85	95.92	99.87	95.92	−1.2	0.89	118.51	100.08	97.12	101.08	97.12	146.97	116.02	139.12
Malaysia (68)	242.42	−0.8	206.56	200.43	208.64	240.55	−0.9	2.77	244.45	206.45	200.33	208.48	242.66	250.18	189.18	236.08
Mexico (18)	1765.70	+0.6	1504.49	1459.90	1519.72	5908.86	+0.6	0.94	1754.81	1482.01	1438.14	1496.67	5871.94	1765.70	534.45	612.32
Netherland (31)	151.01	−0.3	128.67	124.86	129.98	128.37	+0.6	4.29	151.43	127.89	124.10	129.15	127.62	156.48	125.70	143.47
New Zealand (14)	46.32	−1.0	39.47	38.30	39.87	44.82	−1.2	6.13	46.76	39.49	38.33	39.89	45.35	54.64	41.18	47.05
Norway (24)	169.51	+1.4	144.43	140.16	145.90	149.26	+2.1	1.64	167.15	141.17	136.99	142.57	146.17	223.24	157.06	219.02
Singapore (38)	208.40	−0.7	177.57	172.31	179.36	158.07	−0.5	2.17	209.88	177.25	172.01	179.00	158.86	228.43	151.63	201.28
South Africa (61)	218.36	−2.4	186.06	180.54	187.94	178.43	−0.6	2.81	223.84	189.04	183.44	190.91	179.56	271.99	173.00	204.84
Spain (52)	157.77	−0.7	134.43	130.45	135.79	124.30	−0.2	4.79	158.85	134.15	130.19	135.48	124.61	171.12	131.51	168.70
Sweden (25)	180.44	+0.1	153.75	149.19	155.31	160.27	+0.8	2.81	180.19	152.18	147.66	153.69	158.99	204.12	146.80	197.48
Switzerland (59)	99.67	−0.8	84.93	82.41	85.80	93.00	+0.4	2.15	100.43	84.82	82.31	85.67	92.61	104.22	82.17	97.78
United Kingdom (233)	178.06	−0.5	151.72	147.21	153.24	151.72	+0.4	4.91	178.96	151.14	146.65	152.62	151.14	187.44	158.27	185.14
USA (523)	168.62	+0.0	143.67	139.42	145.13	168.62	+0.1	2.90	168.54	142.34	138.13	143.75	168.54	171.66	125.95	152.63
Europe (809)	145.82	−0.5	124.25	120.57	125.51	125.64	+0.4	3.86	146.53	123.75	120.09	124.96	125.16	151.52	125.50	149.62
Nordic (100)	174.37	−0.2	148.57	144.17	150.08	148.17	+0.5	2.16	174.79	147.61	143.24	149.07	147.38	200.81	155.55	195.89
Pacific Basin (717)	119.78	−1.9	102.06	99.04	103.10	98.90	−1.2	1.24	122.15	103.16	100.11	104.18	101.07	145.92	117.86	138.61
Euro−Pacific (1526)	130.46	−1.3	111.16	107.86	112.28	110.82	−0.5	2.41	132.17	111.62	108.31	112.72	111.36	147.66	121.29	143.47
North America (638)	166.48	+0.0	141.85	137.66	143.31	165.06	+0.0	2.92	166.44	140.57	136.42	141.96	164.98	169.69	125.91	151.83
Europe Ex. UK (576)	126.03	−0.5	107.39	104.22	108.50	110.34	+0.4	3.12	126.63	106.94	103.80	108.02	109.92	129.80	103.58	128.01
Pacific Ex. Japan (244)	156.98	−0.8	133.74	129.80	135.11	140.46	−0.5	3.82	158.16	133.57	129.64	134.91	141.31	158.16	111.40	131.77
World Ex. US (1720)	132.63	−1.3	113.01	109.67	114.16	113.10	−0.5	2.43	134.34	113.45	110.10	114.59	113.62	146.16	122.32	144.25
World Ex. UK (2010)	140.51	−0.8	119.72	116.18	120.94	128.03	−0.3	2.35	141.62	119.60	116.07	120.79	128.46	150.58	120.05	142.17
World Ex. So. Af. (2182)	143.32	−0.7	122.11	118.51	123.36	129.83	−0.3	2.61	144.38	121.93	118.33	123.15	130.16	153.05	122.92	146.82
World Ex. Japan (1770)	159.77	−0.2	136.13	132.11	137.53	149.93	+0.1	3.27	160.14	135.24	131.25	136.60	149.74	161.90	126.69	150.99
The World Index (2243)	143.77	−0.8	122.50	118.88	123.75	130.27	−0.3	2.61	144.87	122.34	118.73	123.56	130.61	153.70	123.28	145.98